BENICIA CITY COUNCIL
REGULAR MEETING AGENDA

City Council Chambers
April 05, 2011
7:00 PM

Times set forth for the agenda items are estimates.
Items may be heard before or after the times designated.

I. CALL TO ORDER (7:00 PM):

II. CLOSED SESSION:

III. CONVENE OPEN SESSION:

A. ROLL CALL.

B. REFERENCE TO THE FUNDAMENTAL RIGHTS OF THE PUBLIC.

A plaque stating the fundamental rights of each member of the public is posted at the entrance to this meeting room per section 4.04.030 of the City of Benicia's Open Government Ordinance.

IV. ANNOUNCEMENTS/APPOINTMENTS/PRESENTATIONS/PROCLAMATIONS:

A. ANNOUNCEMENTS.

1. Announcement of action taken at Closed Session, if any.

2. Openings on Boards and Commissions:

Sky Valley Open Space Committee:
One full term to January 31, 2015

Civil Service Commission:
One full term to January 31, 2015

Building Board of Appeals:
Three full terms to January 31, 2015

Solano Transportation Authority Pedestrian Advisory Committee:
One full term to January 31, 2014

Community Sustainability Commission:
One unexpired term to January 31, 2012

Soltrans Public Advisory Committee:
Three full terms

3. **Mayor's Office Hours:**
   Mayor Patterson will maintain an open office every Monday (except holidays) in the Mayor's Office of City Hall from 6:00 p.m. to 7:00 p.m. No appointment is necessary. Other meeting times may be scheduled through the City Hall office at 746-4200.

4. **Benicia Arsenal Update:**

B. APPOINTMENTS.

1. **Appointment of John Furtado to the Sky Valley Open Space Committee for a full term to January 31, 2015.**

2. **Appointment of Robert S. Plath to the Sky Valley Open Space Committee for a full term to January 31, 2015.**

C. PRESENTATIONS.

1. **Chuck Rieger - Solano Center for Business Innovation**
   www.energyupgradeca.org

D. PROCLAMATIONS.

1. **In Recognition of National Library Week**
   April 10 - 16, 2011

2. **In Recognition of National Public Safety Telecommunicators Week**
   April 10 - 16, 2011

3. **In Recognition of National Volunteer Week**
   April 10 - 16, 2011

V. ADOPTION OF AGENDA:

VI. OPPORTUNITY FOR PUBLIC COMMENT:

This portion of the meeting is reserved for persons wishing to address the Council on any matter not on the agenda that is within the subject matter jurisdiction of the City Council. State law prohibits the City Council from responding to or acting upon matters not listed on the agenda. Each speaker has a maximum of five minutes for public comment. If others have already expressed your position, you may simply indicate that you agree with a previous speaker. If appropriate, a spokesperson may present the views of your entire group. Speakers may not make personal attacks on council members, staff or members of the public, or make comments which are slanderous or which may invade an individual's personal privacy.

A. WRITTEN COMMENT.

B. PUBLIC COMMENT.

VII. CONSENT CALENDAR (7:30 PM):

Items listed on the Consent Calendar are considered routine and will be enacted, approved or adopted by one motion unless a request for removal or explanation is received from a Council Member, staff or member of the public. Items removed from the Consent Calendar shall be considered immediately following the adoption of the Consent Calendar.

A. APPROVAL OF MINUTES OF THE SPECIAL AND REGULAR MEETINGS OF MARCH 15, 2011. (CITY CLERK).

B. AWARD OF A 1 YEAR CONTRACT FOR VEGETATION MANAGEMENT CONTRACTOR. (Fire Chief)

This Vegetation Management Contract, located within City of Benicia, will minimize the risk and spread of fire in our wildland urban interface areas. Although we would prefer to keep all work in the City, this project is being contracted out because the City does not have the specialized tools and equipment to do this seasonal work. Sufficient funds are available in the Weed Abatement Account to cover the proposed costs as per the adopted City Budget. It is important to note that this contract if awarded will save the City approximately $50,000.00.

RECOMMENDATION: Adopt the resolution accepting the bids for the Vegetation Management Contractor, awarding the vegetation management contract to Apex Construction of Concord, California, in the amount of $68,000.00, and authorizing the City Manager to sign the contract on behalf of the City.

C. APPROVAL OF CONTRACT AMENDMENT WITH CITYCENTRIC FOR MARK RHOADES TO SERVE AGAIN AS LAND USE AND ENGINEERING MANAGER POSITION ON AN INTERIM BASIS. (Public Works and Community Development Director)

This contract amendment authorizes the re-hiring of Mark Rhoades of CityCentric to serve as Interim Land Use and Engineering Manager on a part-time basis (24-to-30 hours per week) for up to one year, with the cost covered through salary savings realized from the vacant Land Use and Engineering Manager position. Mark's skill set and proven prior success with the City in 2010 makes him uniquely qualified to again serve in this role.

RECOMMENDATION: Adopt a resolution approving a contract amendment with CityCentric Investments for professional services and authorizing the City Manager to sign the contract amendment on behalf of the City.

D. RECOMMENDATION TO AUTHORIZE $3,000 IN VALERO/GOOD NEIGHBOR FUNDS FOR 2011 EARTH DAY EVENT. (Public Works and Community Development Director)

To accomplish Climate Action Plan (CAP) Strategy EO-1.3 that supports Objective EO-1 of increasing public awareness and education about climate change, the Community Sustainability Commission recommends expending up to $3,000 in Valero/Good Neighbor funds to celebrate the Earth Day 2011 event.

RECOMMENDATION: Adopt a resolution authorizing the expenditure of up to $3,000 in Valero/Good Neighbor Steering Committee Settlement Agreement funds for a 2011 Earth Day 2011.

E. AUTHORIZATION TO EXECUTE A QUIT CLAIM DEED TO SOLANO COUNTY FOR THE FORMER ALLEY LOCATED UNDER THE BENICIA MEMORIAL VETERANS HALL AND TO TAKE ALL NECESSARY AND RELATED ACTIONS. (City Attorney)

It was recently discovered that a portion of the property on which the Veterans Hall sits is owned by the City. The County is planning to do upgrades to the Veterans Hall, which require a building permit. The building permit cannot be

issued since the building crosses parcels owned by different entities. This action will allow the work to go forward.

Recommendation: By resolution authorize the City Manager to execute the quit claim deed to Solano County for the former alley located under the Benicia Memorial Veterans Hall and to take all necessary and related actions.

F. Approval to waive the reading of all ordinances introduced and adopted pursuant to this agenda.

VIII. PUBLIC HEARINGS:

A public hearing should not exceed one hour in length. To maximize public participation, the council requests that speakers be concise and avoid repetition of the remarks of prior speakers. Instead, please simply state whether you agree with prior speakers.

IX. ACTION ITEMS (7:45 PM):

A. PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2010 AND RECOGNITION OF CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE JUNE 30, 2009 REPORT. (Finance Director)

The City of Benicia receives an annual independent audit of its financial records and, upon completion, produces a Comprehensive Annual Financial Report (CAFR). This year's audit was conducted under the direction of Jennifer Farr, Shareholder at Mayer Hoffman McCann P.C. (MHM), and presented to the Finance, Audit and Budget (FAB) Committee. Formal acceptance of the audited statements was delayed pending further review of the firm's involvement in the City of Bell, the State Controller's related comments, and the results of an independent peer review of MHM's auditing procedures. Upon further review, the FAB Committee recommended accepting the audited results and forwarding the CAFR to the City Council. They also recommended cancellation of the MHM contract and issuance of a Request for Proposals for auditing services for FY 2010-11, which staff has initiated. On a related note, the previous year's CAFR received the Award of Excellence from the Government Finance Officer's Association of the United States and Canada for the 19th year in a row.

Recommendation:

1. **Accept the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2010 and authorize staff to distribute the document to recipient agencies.**

2. **Direct staff by minute order to terminate the Mayer Hoffman McCann P.C. contract for auditing services and solicit requests for proposals for auditing services for FY 2010-11.**

B. SECOND READING AND ADOPTION OF AN ORDINANCE AMENDING THE CONTRACT BETWEEN THE CITY AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR LOCAL SAFETY EMPLOYEES TO PROVIDE SECTION 21363.1 (3% AT 55 FORMULA) AND SECTION 20037 (THREE-YEAR FINAL COMPENSATION). (Administrative Services Director)

On March 1, 2011, City Council approved a resolution of intention (Resolution 11-27) and introduced and conducted the first reading of an ordinance amending the contract between the City and Public Employee's Retirement System (CalPERS) for local safety employees to provide a second tier of lower benefits, 3%@55 retirement formula and three-year final compensation, for new local safety members entering membership after the date of the contract amendment. The proposed action is the second reading and adoption of the ordinance.

Recommendation: Adopt the ordinance amending the contract between the City and Public Employee's Retirement System (CalPERS) for local safety employees to provide a second tier of lower benefits, 3%@55 retirement formula and three-year final compensation, for new local safety members entering membership after the date of the contract amendment.

C. APPROVE A RESOLUTION AWARDING CONSULTANT CONTRACT TO CIVITAS ADVISORS TO PERFORM A BUSINESS IMPROVEMENT DISTRICT FEASIBILITY STUDY AND POSSIBLE FORMATION AND AUTHORIZING THE CITY MANAGER TO SIGN THE CONTRACT ON BEHALF OF THE CITY. (Economic Development Manager)

A business improvement district is a source of funding which is used to provide special improvements and/or services within the district. It is a self-assessment levied by and upon those business owners that exist within the district.

The purpose of this contract with Civitas Advisors is to provide Benicia business owners information on business improvement districts, specifically how one could be applied in Benicia. This expertise does not exist in house. Additionally, if those affected business owners desire to move forward to create such a district, Civitas Advisors would also provide legal and technical services to form the BID.

Recommendation: Approve, by resolution, an agreement for professional services, valued at $36,000, with Civitas Advisors to determine the feasibility and possible formation of a business improvement district (BID).

D. APPROVAL OF LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION TO FINANCE VARIOUS ENERGY CONSERVATION PROJECTS. (Finance Director)

On March 15, 2011, the City Council approved a financing structure for the Energy Conservation Project that included the "Private Placement" of Certificates of Participation. Following the Council meeting, certain events precluded staff from completing the planned transaction. Staff now recommends modifying the requisite documents to allow a "Public Offering" of Certificates of Participation to fund the project, capitalized interest during the construction period, and costs of issuance. Final terms and pricing will be set subsequent to City Council approval, at the time of sale, with maximum limits of $13.35 million for all costs and 6.5% interest for 25 years. It is anticipated the minimum annual net savings target of $50,000 will go into the Energy Conservation Fund for future projects.

RECOMMENDATION:

1. Adopt the resolution amending Resolution No. 11-36 approving a change order to the Energy service contract with Chevron Energy Services for installation of renewable energy generation equipment at City facilities.
2. Adopt the resolution approving the form and authorizing the execution of certain lease financing documents in connection with the offering and sale of Certificates of Participation relating thereto to finance various energy conservation projects throughout the geographic boundaries of the City and authorizing and directing certain actions with respect thereto.

X. <u>INFORMATIONAL ITEMS (9:45 PM):</u>

A. City Manager Reports.

1. PREFERRED LESSOR FOR NATIONWIDE SIGN SITE. (Acting Economic Development Manager)

Last year an RFP process resulted in the selection of CBS Outdoor as the preferred company to negotiate an agreement for a reader board sign on City property, current location occupied by the Nationwide sign. An ENRA is the next step that would enable CBS Outdoor to move forward

design plans and obtain community support for the type of sign the company is interested in at this site, a 14'x48' electronic billboard.

RECOMMENDATION: Review status of an exclusive negotiating rights agreement (ENRA) and timeline to develop a design and lease agreement for a reader board sign, which would replace the current Nationwide sign.

B. Council Member Committee Reports - Continued from March 15, 2011 Council Meeting.
(Council Member serve on various internal and external committees on behalf of the City. Current agendas, minutes and meeting schedules, as available, from these various committees are included in the agenda packet. Oral reports by the Council Members are made only by exception.)

1. **Mayor's Committee Meeting. (Mayor Patterson)**
   Next Meeting Date: April 20, 2011

2. **Association of Bay Area Governments (ABAG).**
   (Mayor Patterson and Council Member Ioakimedes)
   Next Meeting Date: 2011 Spring General Assembly – Thursday, April 14, 2011

3. **Finance, Audit and Budget Committee.**
   (Vice Mayor Schwartzman and Council Member Campbell)
   Next Meeting Date: April 22, 2011

4. **League of California Cities.**
   (Mayor Patterson and Vice Mayor Schwartzman)
   Next Meeting Date: April 28, 2011

5. **School Liaison Committee.**
   (Council Members Ioakimedes and Hughes)
   Next Meeting Date: June 23, 2011

6. **Sky Valley Open Space Committee.**
   (Council Members Campbell and Hughes)
   Next Meeting Date: May 4, 2011

7. **Solano EDC Board of Directors.**
   (Mayor Patterson and Council Member Campbell)
   Next Meeting Date: April 28, 2011

8. **Solano Transportation Authority (STA).**
   (Mayor Patterson and Council Member Ioakimedes)
   Next Meeting Date: April 23, 2011

9. **Solano Water Authority-Solano County Water Agency and Delta Committee.**
   (Mayor Patterson and Vice Mayor Schwartzman)
   Next Meeting Date: April 14, 2011

10. **Traffic, Pedestrian and Bicycle Safety Committee.**
    (Council Members Hughes and Ioakimedes)
    Next Meeting Date: April 21, 2011

11. **Tri-City and County Regional Parks and Open Space.**
    (Council Members Campbell and Hughes)
    Next Meeting Date: TBD

12. **Valero Community Advisory Panel (CAP).**
    (Council Member Hughes)
    Next Meeting Date: TBD

13. **Youth Action Coalition.**
    (Vice Mayor Schwartzman and Council Member Campbell)
    Next Meeting Date: April 27, 2011

14. **ABAG-CAL FED Task Force-Bay Area Water Forum.**
    (Mayor Patterson)
    Next Meeting Date: April 25, 2011

15. **SOLTRANS Joint Powers Authority**
    (Mayor Patterson, Council Member Ioakimedes) Next Meeting Date: April 21, 2011

XI. COUNCIL MEMBERS REPORTS:

XII. ADJOURNMENT (10:15 PM):

Public Participation

The Benicia City Council welcomes public participation.

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is not on the agency's agenda for that meeting. The City Council allows speakers to speak on non-agendized matters under public comment, and on agendized items at the time the agenda item is addressed at the meeting. Comments are limited to no more than five minutes per speaker. By law, no action may be taken on any item

raised during the public comment period although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the City Council.

Should you have material you wish to enter into the record, please submit it to the City Manager.

Disabled Access

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact Anne Cardwell, the ADA Coordinator, at (707) 746-4211. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting Procedures

All items listed on this agenda are for Council discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the City Council.

Pursuant to Government Code Section 65009, if you challenge a decision of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to, the public hearing. You may also be limited by the ninety (90) day statute of limitations in which to challenge in court certain administrative decisions and orders (Code of Civil Procedure 1094.6) to file and serve a petition for administrative writ of mandate challenging any final City decisions regarding planning or zoning.

The decision of the City Council is final as of the date of its decision unless judicial review is initiated pursuant to California Code of Civil Procedures Section 1094.5. Any such petition for judicial review is subject to the provisions of California Code of Civil Procedure Section 1094.6.

Public Records

The agenda packet for this meeting is available at the City Manager's Office and the Benicia Public Library during regular working hours. To the extent feasible, the packet is also available on the City's web page at www.ci.benicia.ca.us under the heading "Agendas and Minutes." Public records related to an open session agenda item that are distributed after the agenda packet is prepared are available before the meeting at the City Manager's Office located at 250 East L Street, Benicia, or at the meeting held in the Council Chambers. If you wish to submit written information on an agenda item,

please submit to the City Clerk as soon as possible so that it may be distributed to the City Council. A complete proceeding of each meeting is also recorded and available through the City Clerks Office.

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA CONFIRMING THE MAYOR'S REAPPOINTMENT OF JOHN FURTADO TO THE SKY VALLEY AND OPEN SPACE COMMITTEE TO A FULL TERM ENDING JANUARY 31, 2015

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Benicia that the reappointment of John Furtado to the Sky Valley and Open Space Committee by Mayor Patterson is hereby confirmed.

*****

The above Resolution was approved by roll call by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April 2011 and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

APPLICATION

RECEIVED
Date Received
JAN 18 2011
CITY CLERK'S OFFICE
CITY OF BENICIA

City of Benicia Board/Commission/Committee Application

It is the intent of the City Council to have Boards, Commissions or Committees composed of people from all geographical, social, environmental and economic sectors of the community and to avoid potential conflicts of interest.

Please check the board, commission, or committee you wish to apply for:

- ☐ Arts and Culture Commission
- ☐ Benicia Housing Authority Board of Commissioners
- ☐ Board of Library Trustees
- ☐ Civil Service Commission
- ☐ Economic Development Board
- ☐ Finance, Audit & Budget Committee
- ☐ Historic Preservation Review Commission
- ☐ Human Services Board
- ☐ Open Government Commission
- ☐ Parks, Recreation & Cemetery Commission
- ☐ Planning Commission
- ☐ Sustainability Commission
- ☒ Sky Valley Open Space Committee
- ☐ Uniform Code Board of Appeals

Name: JOHN FURTADO

Address:

Phone: (Work) 925-675-3695 (Home) 707-747-5958

(Cell) 925-787-7709 Fax:

Email: FURTADOJR@AOL.COM Years as Benicia resident: 13 YRS

Occupation/Employer: BANK OF AMERICA

Please note your most recent community or civic volunteer experience:

CURRENT OPEN SPACE COMMISSIONER

Please describe any applicable experience/training: BS DEGREE IN NATURAL RESOURCE MANAGEMENT - CAL POLY 1982

All applications are considered public records and will be retained in an active file for at least one year from date of receipt.

Signature: Date: 1/1/11

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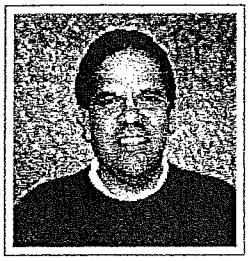
JAN 18 2011
CITY CLERK'S OFFICE
CITY OF BENICIA



John Furtado is a Resource Manager in the NCG Program Delivery Team within the NCG Transformation & Shared Services Division.

John joined Bank of America in 1982 after graduating from California Polytechnic State University in San Luis Obispo, Ca. He started in the San Francisco data center as an operations management trainee. In 1984, he joined Development Computer Operations, and for the next 11 years, he worked as a manager in the San Francisco and Concord data centers. He managed storage, computer, print, hardware technical support and contingency operations units. He was a key player in the opening of the new Concord operations units in the mid to late 80's.

In 1996 John transferred to the newly consolidated data center operations division in San Francisco, to lead a combined statewide team in four units; change management, data center security, project management and training coordination, within the three California Data Centers. As the bank grew, he joined the NCG project management office. There he managed a team of project managers that worked on all of the data center transition projects that occurred in the late 90's and early 2000's. There his team worked with many new transitioned banks where he gained valuable experience in all of the transitions in the ever expanding bank.

Over the last 10 years, John has worked in the NCG Project Management group, supporting the NCG division. His team has focused on numerous midrange projects.

John has also been actively involved in Team Bank of America groups for over 20 years. This included the Speaking Network, being a member of the Argonauts club, and serving as the management advisor. He has been involved in the Recreation Network, including helping to lead the bank's East Bay coed softball league. John has also participated in many of the banks golf leagues and the bank wide golf tournaments.

John currently works out of the Concord Technology Center. He and his wife, Maria McCullough, and pets live in Benicia, California. John currently serves as a commission member of Benicia's Open Space Commission and is a Board Member of the communities Emergency Response Team and a licensed HAM radio operator. He also enjoys, golfing, jet skiing, tandem biking, kayaking and vegetable gardening.

RECEIVED
JAN 18 2011
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CITY OF BENICIA

John R. Furtado, Jr.

Benicia, Ca 94510
Email: John.R.Furtado@BankofAmerica.com
925-787-7709

Professional Experience

Business professional with expertise in large and small systems and non-technology projects and business analysis within the financial services industry. Strengths include focusing the team, defining key metrics to measure success and facilitating the use of appropriate project management tools to ensure the work is thorough and well documented. Project experience includes major data center conversions, mergers and the planning and implementation of procedural changes to streamline the business and create capacity. Six Sigma Greenbelt certified.

1997 – Present **Bank of America, Network Computing Group**
Senior Vice President, Senior Technical Project Manager

Resource Manager for 10 senior project managers who managed midrange infrastructure and merger related projects insuring that timelines as well as applicable standards and policies are met. Scope of responsibility extended from design and funding approval to production implementation.

Responsible for reporting status to project sponsors and senior management, insuring appropriate focus was placed on vulnerabilities in project timeline, escalating issues as appropriate.

1993 – 1997 **Bank of America, Statewide Operations Support, San Francisco, CA**
Vice President, Technical Manager

Managed 7x24 data center operations organization with staff of 18. Organizations responsibilities include data center information security, change management, Project management and training coordination and labs spanning all operational units.

Represented Data center Operations West in merger related standardizations and optimizations initiatives, identifying and implementing best practices.

1987 – 1992 **Bank of America, Development Computer Operations , Concord CA**
Vice President, Technical Manager

Managed 7x24 data center operations organization with staff of 54. Organizations responsibilities include monitoring and maintaining MVS VM Systems for all applications and systems groups.

Managed the storage and hardware technical support teams for all user and contingency support requirements.

Contingency site coordinator, responsible for supporting Federally Mandated testing as well as participating in event management.

Represented Operations in S & L merger related standardizations and optimizations initiatives, identifying and implementing best practices

1984 – 1986 **Bank of America, Statewide Operations Standards Unit, Concord CA**
Vice President, Advisory Systems Engineer

Statewide computer operations policies and controls standards support.. Responsibilities included hardware and software configuration management, installation and performance and capacity management for the three California data centers..

1982 – 1984 **Bank of America, Development Peripheral Operations, San Francisco CA - Systems Manager**

Managed Tape and Print Production and testing operations organizations with staff of 27. Organizations responsibilities include monitoring all tape media and printout for all internal and external bank customers.

Professional Affiliation

Project Management Institute – Bay Chapter Member
Toastmasters International Member , Team BofA East Bay Chapter
Benicia Open Space Commissioner
Benicia Emergency Response Team
Benicia Ham Radio Club
Benicia Medical Reserve Team

Certifications

Six Sigma Greenbelt Certification 2000

Education

Bachelor of Science in Natural Resource Management, Industrial Relations minor.

California Polytechnic State University, San Luis Obispo

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA CONFIRMING THE MAYOR'S APPOINTMENT OF ROBERT S. PLATH TO THE SKY VALLEY AND OPEN SPACE COMMITTEE TO A FULL TERM ENDING JANUARY 31, 2015

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Benicia that the appointment of Robert S. Plath to the Sky Valley and Open Space Committee by Mayor Patterson is hereby confirmed.

*****

The above Resolution was approved by roll call by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April 2011 and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

APPLICATION

Print Form

RECEIVED
Date Received
JAN 18 2011
CITY CLERK'S OFFICE
CITY OF BENICIA

City of Benicia Board/Commission/Committee Application

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Please check the board, commission, or committee you wish to apply for:

- ☐ Arts and Culture Commission
- ☐ Benicia Housing Authority Board of Commissioners
- ☐ Board of Library Trustees
- ☐ Civil Service Commission
- ☐ Economic Development Board
- ☐ Finance, Audit & Budget Committee
- ☐ Historic Preservation Review Commission
- ☐ Human Services & Arts Board
- ☐ Open Government Commission
- ☐ Parks, Recreation & Cemetery Commission
- ☐ Planning Commission
- ☐ Sustainability Commission
- ☒ Sky Valley Open Space Committee
- ☐ Uniform Code Board of Appeals

Name: Robert S. Plath

Address.

Phone: (Work) 925-358-3906 (Home) 707-297-6175

(Cell) 925-437-3157 Fax:

Email: carolynplath2003@yahoo.com Years as Benicia resident: 4-1/2

RSPL@CHEVRON.COM

Occupation/Employer: Manager, Chevron Corporation

Please note your most recent community or civic volunteer experience:

15 year board member of California Waterfowl Association (CWA), whose mission is to preserve, protect and enhance California's waterfowl resource, 3rd generation Californian.

Please describe any applicable experience/training:

Served as CWA Chairman of the Board through a major reorganization, lead search committee for new President.

All applications are considered public records and will be retained in an active file for at least one year from date of receipt.

Signature: Date: 1-17-11

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Sky Valley Open Space Committee Application

In addition to completing the City of Benicia Board/Commission/Committee Application form, please respond to the following questions:

1. What interests you about this Committee? Have you attended a Sky Valley Committee meeting? If so, when?

   Preserving California's natural habitat and the wildlife that depend on it.

2. Participation on this Committee involves quarterly meetings. Do you feel you have the time and commitment to be a viable member of this Board?

   Yes. I have six weeks vacation per year that can be used to meet the requirements of this committee.

3. Explain your interest in the protection and enhancement of open space.

   Left unchecked, the increasing rate of commercialization and urbanization of California will consume all remaining open space and the wildlife that depend on it. Urban dwellers need access to open space to revitalize their connection with nature and commitment to preserving California's natural habitat.

4. How do you think this Committee can best achieve the City's goal of protecting open space in Benicia?

   Leveraging state and federal programs to provide funding assistance, partner with stakeholder organizations to promote Benicia and Solano County goals to preserve and grow permanent open space, work with public and private developers to find common ground balancing the benefits of open space with economic growth.

SERVING AND ENHANCING OUR COMMUNITY WITH CARE, COMMITMENT AND PRIDE

THE CITY OF BENICIA CALIFORNIA

PROCLAMATION

IN RECOGNITION OF

NATIONAL LIBRARY WEEK

APRIL 10-16, 2011

WHEREAS, libraries provide free access to all – from books and online resources for families to library business centers that help support entrepreneurship and retraining; and

WHEREAS, our nation's school, academic, public and special libraries make a difference in the lives of millions of Americans today, more than ever; and

WHEREAS, librarians are trained professionals, helping people of all ages and backgrounds find and interpret the information they need to live, learn and work in a challenging economy; and

WHEREAS, libraries are helping level the playing field for job seekers, with 88% of public libraries providing access to job databases and other online resources; and

WHEREAS, libraries are places of opportunity providing programs that teach all forms of literacy, promoting continuing education and encouraging lifelong learning; and

WHEREAS, in times of economic hardship, Americans turn to – and depend on – their libraries and librarians; and

WHEREAS, libraries, librarians, library workers and supporters across America are celebrating National Library Week.

NOW, THEREFORE, BE IT RESOLVED THAT I, Elizabeth Patterson, Mayor of the City of Benicia**,** on behalf of the City Council, do hereby proclaim April 10-16, 2011, as National Library Week. I encourage all residents to visit the library and take advantage of the wonderful resources that are available.

CITY OF BENICIA CALIFORNIA

_____

Elizabeth Patterson, Mayor
April 5, 2011

IV.D.1.2

SERVING AND ENHANCING OUR COMMUNITY WITH CARE, COMMITMENT AND PRIDE

THE CITY OF BENICIA CALIFORNIA

PROCLAMATION

IN RECOGNITION OF

NATIONAL PUBLIC SAFETY TELECOMMUNICATORS' WEEK

APRIL 10 – 16, 2011

WHEREAS, the Public Safety Dispatchers of the Benicia Police Department who process on average over 62,000 telephone calls per year, are the first and most critical contact that our citizens have with Benicia's emergency services; and

WHEREAS, the Benicia Police Department dispatchers handled 4,931 9-1-1 calls and 44,928 non-emergency phone calls in 2010 from the general public for police, fire, and emergency medical assistance and dispatched 25,088 calls for service to help save lives and property of our Benicia citizens; and

WHEREAS, the Public Safety Dispatchers of the Benicia Police Department have contributed significantly to the apprehension of criminals, suppression of fire and the treatment of patients in life threatening situations; and

WHEREAS, these individuals serve the public in countless ways 365 days a year, 24 hours a day, often without due recognition by the beneficiaries of their services.

NOW, THEREFORE, BE IT RESOLVED THAT I, Elizabeth Patterson, Mayor of the City of Benicia**,** on behalf of the City Council, do hereby designate April 10-16, 2011 as "National Public Safety Telecommunicators' Week" in the City of Benicia in honor and recognition of our Dispatchers and the vital contributions they make to the safety and well-being of our citizens.

CITY OF BENICIA CALIFORNIA

_____

Elizabeth Patterson, Mayor
April 5, 2011

IV.D.2.2

PROCLAMATION

In recognition of
NATIONAL VOLUNTEER WEEK
APRIL 10-16, 2011

WHEREAS, the President of the United States has proclaimed the week of April 10-16, as National Volunteer Week in order to "Celebrate People in Action" and recognize and honor the hard work and dedication of community volunteers; and

WHEREAS, to that end, the Benicia Police Department wishes to honor their Volunteer Police Program, which was established in 1995, and continues to be a valuable asset to the Police Department and to the City of Benicia; and

WHEREAS, the Benicia Fire Department also wishes to honor their Volunteer Firefighter Program, which became the first Fire Department established in California in 1847, and BERT (Benicia Emergency Response Team) which continues to be a valuable asset to the City of Benicia; and

WHEREAS, the Benicia Public Library would also like to honor their Friends of the Library and Volunteer programs, which were both established in 1983, and continue to enhance and expand library services for the City of Benicia; and

WHEREAS, the Parks & Community Services Department would like to honor their Volunteer program which provides valuable recreation services; and

WHEREAS, the City Attorney's Office would like to honor their Volunteer program, which was established in 2000, and provides valuable services; and

WHEREAS, the City of Benicia wishes to honor all volunteers working on Commissions, Committees, Boards and in other capacities for their commitment and hard work to make a real difference in their community; and

WHEREAS, volunteers are a valuable resource to the City of Benicia that annually devote thousands of hours of service to enhance our quality of life, promote community involvement, generate civic pride, and support our neighborhoods and families, thereby allowing our sworn police officers, firefighters and departmental staff to focus on professional duties; and

WHEREAS, in 2010, over 240 volunteers donated 24,788 hours, providing an approximate value of $577,312 in services.

NOW, THEREFORE, BE IT RESOLVED THAT I, Elizabeth Patterson, Mayor of the City of Benicia, on behalf of the City Council, do hereby proclaim April 10-16 as National Volunteer Week. I urge my fellow citizens to join the volunteer effort in our community by volunteering and recognizing those who serve. Volunteering promotes fellowship and unity, as well as increases community awareness. Please join us in "Celebrating People in Action" and foster these positive initiatives.

_____
Elizabeth Patterson, Mayor
April 5, 2011

IV.D.3.2

MINUTES OF THE
SPECIAL MEETING – CITY COUNCIL
MARCH 15, 2011

City Council Chambers, City Hall, 250 East L Street, complete proceedings of which are recorded on tape.

I. CALL TO ORDER:

Mayor Patterson called the meeting to order at 6:00 p.m.

II. CONVENE OPEN SESSION:

A. ROLL CALL

All Council Members were present.

B. PLEDGE OF ALLEGIANCE

Mayor Patterson led the Pledge of Allegiance.

C. REFERENCE TO THE FUNDAMENTAL RIGHTS OF THE PUBLIC:

III. OPPORTUNITY FOR PUBLIC COMMENT:

A. WRITTEN COMMENT

B. PUBLIC COMMENT

None

IV. CLOSED SESSION:

Heather McLaughlin, City Attorney, read the announcement of Closed Session.

A. CONFERENCE WITH LABOR NEGOTIATOR

(Government Code Section 54957.6 (a))
Agency negotiators: City Manager, Administrative Services Director

Employee organizations: City Manager, City Attorney, Benicia Senior Management Group, Benicia Middle Management Group, Local 1, Benicia Public Service Employees' Association (BPSEA), Police Officers Association (BPOA), Benicia Firefighters Association (BFA), Benicia Dispatchers Association (BDA), Police Management, Unrepresented.

V. ADJOURNMENT:

Mayor Patterson adjourned the meeting to Closed Session at 6:02 p.m.

VII.A.2

MINUTES OF THE
REGULAR MEETING – CITY COUNCIL
MARCH 15, 2011

City Council Chambers, City Hall, 250 East L Street, complete proceedings of which are recorded on tape.

I. CALL TO ORDER:

Mayor Patterson called the meeting to order at 7:05 p.m.

II. CLOSED SESSION:

III. CONVENE OPEN SESSION:

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

Rob Sousa led the Pledge of Allegiance.

C. REFERENCE TO THE FUNDAMENTAL RIGHTS OF PUBLIC

IV. ANNOUNCEMENTS/APPOINTMENTS/PRESENTATIONS/PROCLAMATIONS:

A. ANNOUNCEMENTS

1. Announcement of action taken at Closed Session, if any.

Ms. McLaughlin reported that Council gave direction to Staff on the Closed Session item.

Mayor Patterson expressed sympathy for the situation in Japan. She encouraged people to donate to the Red Cross if they are able. She acknowledged Gene Pedrotti's (Pedrotti's Ace Hardware) efforts to raise/match donations for the victims in Japan.

2. Openings on Boards and Commissions:

Sky Valley Open Space Committee: One full term to January 31, 2015

Civil Service Commission: One full term to January 31, 2015

Building Board of Appeals: Three full terms to January 31, 2015

Solano Transportation Authority Pedestrian Advisory Committee: One full term to January 31, 2014

Soltrans Public Advisory Committee - Three Openings

3. Mayor's Office Hours:

4. Benicia Arsenal Update:

Staff confirmed there was nothing to report at this time. There is a subcommittee meeting on Wednesday 3-16-11.

B. APPOINTMENTS

C. PRESENTATIONS

1. Solano County Supervisor Linda Seifert

Supervisor Seifert provided an update on what Solano County and her office has done for the City of Benicia. She discussed the financial challenges ahead of the City and County.

Mayor Patterson thanked Supervisor Seifert for her efforts.

2. 16th Session of the Conference of the Parties - Paul Fair - Chair, Solano Community College Green Jobs Council

Paul Fair, Chair, Solano Community College Green Jobs Council, reviewed a PowerPoint presentation (copy on file).

3. POETRY OUT LOUD - Lindsay Blackie, 12th grade and Elise Roberson, 11th grade from Benicia High School

Ms. Elise Roberson, Student, Benicia High School, recited the poem 'Cartoon Physics.'

D. PROCLAMATIONS

1. In Recognition of National Poetry Week

2. In Recognition of Sunshine Week

V. <u>ADOPTION OF AGENDA:</u>

On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted the Agenda, as presented, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

VI. OPPORTUNITY FOR PUBLIC COMMENT:

A. WRITTEN COMMENT

None

B. PUBLIC COMMENT

Constance Beutel - Dr. Beutel announced an upcoming BERT training session, and the current opening on the Community Sustainability Commission.

VII. CONSENT CALENDAR:

Council pulled items VII.A, VII.B, VII.C, and VII.E for discussion.
On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted the Consent Calendar, as amended, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

A. APPROVAL OF MINUTES OF THE SPECIAL MEETING OF JANUARY 25, 2011, THE SPECIAL MEETING OF FEBRUARY 22, 2011 AND THE SPECIAL AND REGULAR MEETINGS OF MARCH 1, 2011

Mayor Patterson asked that page 10, paragraph 6, of the minutes of March 1, 2011 be clarified. Ms. Wolfe inserted the following language: Council Member Ioakimedes and Staff clarified that a TBID or BID would not be a tax that was imposed on anyone. The merchants would have to vote on it and pass it in order to impose it upon themselves. The merchants would determine whether or not the TBID/BID would move forward.

All other minutes were approved, as presented.
On motion of Vice Mayor Schwartzman, seconded by Council Member Ioakimedes, the minutes of the regular meeting of March 1, 2011 were approved, as amended, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

On motion of Vice Mayor Schwartzman, seconded by Council Member Ioakimedes, the minutes of the special meeting of January 25, 2011, the special meeting of February 22, 2011, and the special meeting of March 1, 2011 were approved, as presented, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

B. ACCEPTANCE OF THE ROSE DRIVE BICYCLE/PEDESTRIAN OVERCROSSING PROJECT AND APPROVAL OF THE MAINTENANCE AGREEMENT

RESOLUTION 11-30 - A RESOLUTION APPROVING CHANGE ORDER NOS. 3, 6, 7, 8, 10 & 11 IN THE AMOUNT OF $75,602, ACCEPTING THE ROSE DRIVE BICYCLE/PEDESTRIAN OVERCROSSING PROJECT AS COMPLETE INCLUDING CHANGE ORDER NOS. 1-11, APPROVING THE MAINTENANCE AGREEMENT WITH CALTRANS, AUTHORIZING THE CITY MANAGER TO SIGN THE AGREEMENT AND NOTICE OF COMPLETION, AND AUTHORIZING THE CITY CLERK TO FILE SAME WITH THE SOLANO COUNTY RECORDER

Vice Mayor Schwartzman thanked all past and present Council's for their work on the issue. He and Staff discussed a concern regarding item #3.2.1 on page VII.B.12 - with respect to the City/State responsibility for inspections. He discussed what should be done with the leftover funds ($449,000). Staff confirmed it should be used for the Industrial Way Drainage and Widening Project.

Public Comment:

None

Mayor Patterson and Staff discussed the issue of repaving the auto portion of the bridge (the surface is the City's responsibility).

Vice Mayor Schwartzman discussed the issue of a pothole that was previously on the bridge, and who fixed it (to address the issue of setting precedent). Staff thought Caltrans fixed the pothole.

On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

C. APPROVAL OF A WIRELESS COMMUNICATION LEASE AGREEMENT AT 257 ESSEX WAY WITH ISYSTEMS TECHNOLOGY, LLC

RESOLUTION 11-31 - A RESOLUTION APPROVING A LEASE AGREEMENT BETWEEN THE CITY OF BENICIA AND ISYSTEMS TECHNOLOGY, LLC TO INSTALL A WIRELESS COMMUNICATION FACILITY AT 257 ESSEX WAY, AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF THE CITY

Mayor Patterson and Staff discussed the protocols for addressing the issue of noise.

Council Member Hughes and Staff discussed concerns regarding the issue of noise.

Council Member Ioakimedes and Staff discussed the design and size of the proposed unit, whether the unit was appropriate for residential areas, and possibly establishing guidelines for future units.

Mayor Patterson discussed design guidelines that other communities came up with, and having the Planning Commission/Sustainability Commission look into the issue.

Mayor Patterson discussed her concern regarding design standards for wind turbines, dealing with potential bird strikes, annual reports on the impacts to birds, CEQA categorical exemptions for listed species, and the need to see a reference for the notice of determination that was filed.

Public Comment:

None

Staff confirmed that the provisions covered the issues that were raised (noise and bird strikes).

On motion of Vice Mayor Schwartzman, seconded by Council Member Campbell, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

D. APPROVAL OF AMENDMENTS TO 2006 POLICE BUILDING REMODEL LEASE FINANCING DOCUMENTS TO PROPERLY REFLECT THE PROPERTY INTENDED TO BE ENCUMBERED

RESOLUTION 11-28 - A RESOLUTION AMENDING CERTAIN LEASE FINANCING DOCUMENTS TO PROPERLY REFLECT THE PROPERTY INTENDED TO BE ENCUMBERED THEREBY AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

E. APPROVAL OF AN AMENDMENT TO THE CONTRACT WITH MARK PRESSMAN OF WULFF, HANSEN & CO. FOR FINANCIAL ADVISORY SERVICES RELATING TO THE RENEWABLE ENERGY AND CONSERVATION PROJECT

RESOLUTION 11-32 - A RESOLUTION APPROVING AN INCREASE IN THE CONTRACT WITH MARK PRESSMAN OF WULFF, HANSEN & CO. FOR FINANCIAL ADVISORY SERVICES RELATING TO THE RENEWABLE

ENERGY AND CONSERVATION PROJECT

Council Member Ioakimedes and Staff discussed the need for the expertise of the consultant for the services. He requested Staff note the need for expertise in future staff reports where the use of consultants is being proposed.

On motion of Council Member Hughes, seconded by Council Member Ioakimedes, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

F. RECOMMENDATION FOR CITY COUNCIL TO AUTHORIZE $10,000 FOR IMPLEMENTATION OF THE CHANGE A LIGHT AND RESIDENTIAL PLUMBING FIXTURE UPGRADES PROGRAM

RESOLUTION 11-29 - A RESOLUTION AUTHORIZING $10,000 IN FUNDS FROM THE VALERO/GOOD NEIGHBOR SETTLEMENT AGREEMENT FOR IMPLEMENTATION OF THE CHANGE A LIGHT AND PLUMBING FIXTURES UPGRADE CAMPAIGN CONSISTENT WITH THE CLIMATE ACTION PLAN

On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

G. Approval to waive the reading of all ordinances introduced and adopted pursuant to this agenda.

VIII. PUBLIC HEARINGS:

A. RESOLUTION ACCEPTING THE NOMINATION OF BENICIA'S FIRST HERITAGE TREE, DESIGNATING IT AS SUCH AND DIRECTING THAT SAID DESIGNATION BE RECORDED WITH THE PROPERTY WITH THE SOLANO COUNTY RECORDER'S OFFICE

RESOLUTION 11-33 - A RESOLUTION ACCEPTING THE APPLICATION NOMINATING A CITY TREE, QUERCUS ARGRIFOLIA (COAST LIVE OAK), LOCATED IN CITY PARK, AS A HERITAGE TREE AND DESIGNATING IT AS SUCH

Mayor Patterson recused herself due to a conflict of interest.

Mario Giuliani, Management Analyst, discussed the recent vandalism of the trees at Community Park. There will be a $500 reward for information leading the arrest of the person(s) responsible for the vandalism.

Mr. Giuliani reviewed the staff report.

Council Member Hughes and Staff discussed the criteria that were used, and the

issue of property rights.

Council Member Ioakimedes and Staff discussed the issue of ownership of a tree (if a tree straddles two properties),

Public Hearing Opened

Public Comment:

None

Public Hearing Closed

On motion of Council Member Hughes, seconded by Council Member Campbell, Council adopted the Resolution, on roll call by the following vote:
Ayes: Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

IX. ACTION ITEMS:

A. AUTHORIZE PURCHASE OF REPLACEMENT AERIAL LADDER TRUCK

RESOLUTION 11-34 - A RESOLUTION AUTHORIZING THE PURCHASE OF AN AERIAL LADDER TRUCK FOR THE FIRE DEPARTMENT FROM FIRE TRUCKS PLUS IN AN AMOUNT NOT-TO-EXCEED $140,000 AND AUTHORIZING THE CITY MANAGER TO SIGN THE CONTRACT AND PURCHASE ORDER ON BEHALF OF THE CITY

Chief Vucurevich reviewed the staff report, and a PowerPoint presentation.

Council Member Ioakimedes and Staff discussed any personnel impacts that would be involved with the purchase (none).

Vice Mayor Schwartzman and Staff discussed the type of truck that was being proposed.

Council Member Hughes and Staff discussed fires in 2010 that would have required such a truck, safety violations with the current ladder truck, other equipment that is available on the proposed ladder truck, and the difference between having such a truck and not having such a truck when the need arises.

Mayor Patterson and Staff discussed the possibility of having an agreement with the City of Vallejo and/or Valero to use their trucks when needed. Borrowing Vallejo's ladder truck would not work because of timing and logistics issues. Valero's truck would not work because it uses foam rather than water.

Public Comment:

None

Vice Mayor Schwartzman and Staff discussed the life expectancy of the proposed truck (5-10 years), and whether the City's ladder truck had responded to other cities for mutual aid (it had responded to the City of Fairfield on many occasions).

Mayor Patterson and Staff discussed the age of the City's current ladder truck and the proposed truck, and how much a brand new ladder truck would cost ($800,000-$1,000,000).

Council Member Hughes and Staff discussed how the City could save on maintenance and repair costs as a result of purchasing the proposed truck.

On motion of Council Member Campbell, seconded by Vice Mayor Schwartzman, Council adopted the Resolution, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

B. REVIEW OF RECENT REVENUE AND EXPENDITURE CHANGES AND THE IMPACT ON THE FY 2010-11 MUNICIPAL BUDGETS

RESOLUTION 11-35 - A RESOLUTION APPROVING ADJUSTMENTS TO THE MUNICIPAL BUDGETS FOR FISCAL YEAR 2010-2011

Mayor Patterson and Mr. Kilger discussed why Staff recommended Council take action tonight.

Rob Sousa, Finance Director, reviewed the staff report.

Mayor Patterson and Staff discussed the audit report on the property tax petitions (information would be available the first week in July 2011).

Council Member Ioakimedes and Staff discussed the PG&E natural gas contracts.

Council Member Campbell and Staff discussed concerns regarding the way the numbers were structured, the need for a balanced budget, and the City's 20% reserve policy.

Council Member Ioakimedes and Staff discussed how the VIP funds were listed on the balance sheet. They discussed the issue of dipping into the City's reserve, without piercing the 20%. Mr. Sousa explained how the reserve policy was designed.

Mayor Patterson suggested establishing a 'floor.' The purpose of the reserve

policy was to address extraordinary circumstances, not operational costs. That is something that should be added to the list to be addressed in June.

Mr. Kilger discussed the possibility of having two reserves: one would be an emergency reserve, and the other is a rainy day fund.

Vice Mayor Schwartzman discussed the issue of the weak budget. He wants to try and balance the budget. He would like to find the $190,000 somewhere. He discussed the possibility of using the Economic Development salary savings.

Staff requested that not be done at this time, as they are working on enhancing the City's economic development, and those funds may be necessary to do that.

Mayor Patterson summarized that there was a general direction from Council regarding seeking a balanced budget. As noted by Mr. Kilger, by adopting this item tonight, it memorializes the actions that Staff has taken in terms of expenditure reduction. There could be a motion to adopt the item, with direction to Staff that Council anticipates getting a balanced budget back, and that would give Staff more certainty that Council approved the reductions. She suggested Council submit suggestions to Staff so Staff could work on it.

Vice Mayor Schwartzman discussed the issue of revenue. He would like an idea of where the City is year-to-date with the budget.

Council Member Hughes asked that when Staff comes back to Council with the budget recommendations (regarding the $190,000), he would like them to include what risks will be involved with those recommendations. He asked Staff to clarify if the adjustments on page IX.B.4, table II, were sustainable adjustments (they were temporary in nature). Mr. Kilger clarified that Staff was looking into those items to see if some of them could be sustainable.

Council Member Campbell and Staff discussed the reserve policy. Council Member Campbell discussed the need to come up with an explanation on how the City would refund those reserves.

Mayor Patterson requested Staff prepare a good staff report, taking into consideration the perspective and the interpretation of the reserve policy. Council will then digest it and let Staff know how they feel about it.

Mayor Patterson asked if there was a motion to adopt the resolution, with direction to Staff that Council will come back and look at this, they are seeking a balanced budget, and they need further clarification on the mechanism for the reserve, and potential policy changes.

Vice Mayor Schwartzman requested a timeframe when Staff would bring this issue back. Staff clarified some key items would not be finalized until as late as July 1, 2011. It is an ongoing process. Staff would be working on it between now

and June 30, 2011.

Mayor Patterson would like to see the budget balanced sooner than later, but no later than the end of the year.

Vice Mayor Schwartzman would like to see a balanced budget by May 15, 2011. He was aware there would be changes after that, however, he wants to have something by that date.

Council Member Hughes suggested amending his motion to move forward with approving the adjustments with the direction to Staff, and add to the direction that Staff would come back to Council with what it would take to have a balanced budget (and the consequences associated with that) no later than May 17, 2011.

Mayor Patterson noted that on page IX.B.66, item 4105, she would like to see the policy that was adopted, or the action that was taken by the Council for that expenditure. Staff clarified that was in last year's budget. It was an unrecognized revenue. A clarification memo would be delivered to Council.

Vice Mayor and Staff clarified the issue of the cost for the Arts and Culture Commission support that was listed on page IX.B.66.

On motion of Council Member Hughes, seconded by Vice Mayor Schwartzman, Council adopted the Resolution (with additional direction to Staff), on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

C. APPROVAL OF THE RENEWABLE ENERGY AND CONSERVATION PROJECT, INCLUDING APPROVAL OF CONTRACT CHANGE ORDER 1 WITH CHEVRON ENERGY SOLUTIONS FOR STREET LIGHT RETROFITTING, THE LEASE FINANCING FOR THE PROJECT, AND CREATION OF THE ENERGY CONSERVATION

RESOLUTION 11-36 - A RESOLUTION APPROVING A CHANGE ORDER TO THE ENERGY SERVICE CONTRACT TO ADD STREET LIGHT RETROFITS AMONG OTHER THINGS, DETERMINING THE AMENDED PROJECT AND FINANCING THE FINAL PROJECT FOR THE PURPOSES OF CEQA, AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE CHANGE ORDER WITH CHEVRON ENERGY SERVICES FOR INSTALLATION OF RENEWABLE ENERGY GENERATION EQUIPMENT AT CITY FACILITIES

RESOLUTION 11-37 - A RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATING THERETO TO FINANCE VARIOUS ENERGY CONSERVATION PROJECTS THROUGHOUT THE GEOGRAPHIC BOUNDARIES OF THE CITY, AND AUTHORIZING AND

DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLUTION 11-38 - A RESOLUTION ESTABLISHING THE ENERGY CONSERVATION FUND

Charlie Knox, Public Works & Community Development Director, and Rob Sousa, Finance Director, reviewed the staff report.

Council Member Campbell, Staff, and Mr. Brian Quint, Quint & Thimmig, LLP, discussed how the transaction (financing lease) would work.

Vice Mayor Schwartzman and Staff discussed concern regarding the decrease in savings from last year's projections. Staff was 90% confident that if the financing goes through, it could net $50,000. They discussed the City's debt ceiling. They discussed the issue of purchase/lease of Pump Station #3 property. Vice Mayor Schwartzman discussed concern regarding encumbering too many of the City's major assets.

Mr. Knox discussed the issue of construction material costs

Council Member Hughes and Staff discussed the streetlight retrofits, the issue of an exit clause (none), concern regarding using the proposed assets as collateral, and the financial risks of not moving forward with this ($165,000).

Council Member Ioakimedes and Staff discussed why the energy conservation fund was necessary, the way the liability was structured, using the proposed City property as collateral, and concern regarding encumbering $12.5 million in assets for $50,000 in profit.

Vice Mayor Schwartzman and Staff discussed the issue of insurance and insurance costs. Vice Mayor Schwartzman would like the surplus to go towards conservation and not commission support, etc. He discussed prepayment provisions in the agreement.

Mayor Patterson and Staff discussed the track record of solar projects, other lease financing projects in the Bay Area, the issue of bond rates, and Mr. Pressman's (Mark Pressman, Wulff, Hansen & Co.) long-term business relationship with the City.

Council Member Campbell and Staff discussed the issue of warranties for the solar panels. They discussed the issue of theft and vandalism on the solar panels.

Public Comment:

None

Council Member Hughes seconded the motion on the first resolution, with the

understanding there would be enough opportunity for Council and the community to take a look at the streetlight retrofits. Mayor Patterson clarified that the resolution was modified, pending community review. So, the resolution was modified prior to all the installations.

Council Member Hughes noted there were risks involved with this project, however, there were huge opportunities for the City.

On motion of Vice Mayor Schwartzman, seconded by Council Member Hughes, Council adopted Resolution 11-36, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

On motion of Mayor Patterson, seconded by Vice Mayor Schwartzman, Council adopted Resolution 11-37, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

On motion of Council Member Campbell, seconded by Council Member Hughes, Council approved Resolution 11-38, on roll call by the following vote:
Ayes: Patterson, Schwartzman, Campbell, Hughes, Ioakimedes
Noes: (None)

X. INFORMATIONAL ITEMS:

A. City Manager Reports

B. Council Member Committee Reports

1. **Mayor's Committee Meeting. (Mayor Patterson)**
   Next Meeting Date: March 16, 2011

2. **Association of Bay Area Governments (ABAG). (Mayor Patterson and Council Member Ioakimedes)**
   Next Meeting Date: 2011 Spring General Assembly - Thursday, April 14, 2011

3. **Finance, Audit and Budget Committee. (Vice Mayor Schwartzman and Council Member Campbell)**
   Next Meeting Date: March 16, 2011

4. **League of California Cities. (Mayor Patterson and Vice Mayor Schwartzman)**
   Next Meeting Date: April 28, 2011

5. **School Liaison Committee. (Council Members Ioakimedes and Hughes)**
   Next Meeting Date: June 23, 2011

6. **Sky Valley Open Space Committee. (Council Members Campbell**

and Hughes)
Next Meeting Date: May 4, 2011

7. **Solano EDC Board of Directors. (Mayor Patterson and Council Member Campbell)**
   Next Meeting Date: March 24, 2011

8. **Solano Transportation Authority (STA). (Mayor Patterson and Council Member Ioakimedes)**
   Next Meeting Date: April 23, 2011

9. **Solano Water Authority-Solano County Water Agency and Delta Committee. (Mayor Patterson and Vice Mayor Schwartzman)**
   Next Meeting Date: April 14, 2011

10. **Traffic, Pedestrian and Bicycle Safety Committee. (Council Members Hughes and Ioakimedes)**
    Next Meeting Date: April 21, 2011

11. **Tri-City and County Regional Parks and Open Space. (Council Members Campbell and Hughes)**
    Next Meeting Date: March 14, 2011

12. **Valero Community Advisory Panel (CAP). (Council Member Hughes)**
    Next Meeting Date: TBD

13. **Youth Action Coalition. (Vice Mayor Schwartzman and Council Member Campbell)**
    Next Meeting Date: March 23, 2011

14. **ABAG-CAL FED Task Force-Bay Area Water Forum. (Mayor Patterson)**
    Next Meeting Date: March 28, 2011

15. **SOLTRANS Joint Powers Authority (Mayor Patterson, Council Member Ioakimedes) Next Meeting Date: March 17, 2011**

XI. ADJOURNMENT:

Mayor Patterson adjourned the meeting at 11:15 p.m.

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
CONSENT CALENDAR

DATE : March 3, 2011

TO : City Manager

FROM : Fire Chief

SUBJECT : **AWARD OF A 1 YEAR CONTRACT FOR VEGETATION MANAGEMENT CONTRACTOR**

RECOMMENDATION:
Adopt the resolution accepting the bids for the Vegetation Management Contractor, awarding the vegetation management contract to Apex Construction of Concord, California, in the amount of $68,000.00, and authorizing the City Manager to sign the contract on behalf of the City.

EXECUTIVE SUMMARY:
This Vegetation Management Contract, located within City of Benicia, will minimize the risk and spread of fire in our wildland urban interface areas. Although we would prefer to keep all work in the City, this project is being contracted out because the City does not have the specialized tools and equipment to do this seasonal work. Sufficient funds are available in the Weed Abatement Account to cover the proposed costs as per the adopted City Budget. It is important to note that this contract if awarded will save the City approximately $50,000.00.

BUDGET INFORMATION:
The total cost of the Vegetation Management Contract is $68,000.00, which includes an all services contingency, and management/engineering support services. Sufficient funds for this project are available in the Weed Abatement Fund, Account Number 010-2405-8170.

GENERAL PLAN:
Relevant General Plan Goals and Policies include:

- Goal # 2.28 Improve and maintain public facilities and services

STRATEGIC PLAN:
Relevant Strategic Plan Issues and Strategies:

- Strategic Issue #1 Protecting community health and safety

BACKGROUND:
The Vegetation Management Contractor shall have the required knowledge, skill and experience to perform work orders in accordance with Chapter 8.08 of the Benicia Municipal Code and Fire Department Standard G-701.

The project consists of maintenance and creation of firebreaks, fire trails, and fire access roads. The project is expected to begin during the month of April and conclude all work by no later than July 1, 2011.

On March 18, 2011, a total of three responsive bids were received for the Vegetation Management Contractor with the results summarized in the table below:

Bid Results:

RANK	*BIDDER'S NAME AND ADDRESS*	*Total BASE BID*
1	**Apex Grading P.O. Box 5367 Concord, CA 94524**	**$68,000.00**
2	A&L Services Inc. 36445 County Rd 31 Davis, CA 95616	$94,260.00
3	Everett Livestock P.O. Box 1423 Benicia, CA 94510	$100,000.92

In accordance with the contract specifications, the vegetation management contract should be awarded to the bidder submitting the lowest responsive responsible total base bid, which is Apex Grading. Apex Grading is based out of Concord, California however, the company maintains a leased equipment storage yard in Benicia.

Staff recommends that the vegetation management contract be awarded to Apex Grading in the amount of $68,000.00.

Attachments:
- Proposed Resolution
- Service Contract
- Open Space Map
- Fire Department Standard G-701

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA ACCEPTING THE BIDS FOR THE VEGETATION MANAGEMENT CONTRACTOR, AWARDING THE CONTRACT, TO APEX GRADING OF CONCORD, CALIFORNIA, IN THE AMOUNT OF $68,000.00, AND AUTHORIZING THE CITY MANAGER TO SIGN THE CONSTRUCTION CONTRACT ON BEHALF OF THE CITY

WHEREAS, the City of Benicia's vegetation management contractor was advertised for bids and three sealed bids were properly received and opened on March 18, 2011; and

WHEREAS, Apex Grading of Concord, California was the lowest, responsive, responsible bidder; and

WHEREAS, sufficient funds are available in the project budget to include the bid; and

WHEREAS, this project is to reduce the risk and potential spread of fire within our wildland urban interfaces areas.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia hereby accepts the bids and awards the construction contract in the amount of $68,000.00 to Apex Grading of Concord, California for the Vegetation Management Contract.

BE IT FURTHER RESOLVED THAT the City Manager is hereby authorized to sign the Vegetation Management Contract on behalf of the City, subject to approval by the City Attorney.

*****

On motion of Council Member and seconded by Council Member , the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011, and adopted by the following vote.

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

CONTRACTOR SERVICES AGREEMENT

THIS AGREEMENT is entered into at Benicia, California, as of the 6th day of April, 2011, by and between the CITY of Benicia, a municipal corporation of the State of California ("the CITY") and Apex Grading. ("CONTRACTOR"), who agree as follows:

I. SERVICES. Subject to the terms and conditions set forth in this Agreement, CONTRACTOR shall provide to the CITY the services described in Exhibit "A." CONTRACTOR shall provide said services at the time, place, and in the manner specified in Exhibit "A."

2. PAYMENT. CITY shall pay CONTRACTOR for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit "A." The payments specified in Exhibit "A" shall be the only payments to be made to CONTRACTOR for services rendered pursuant to this Agreement. CONTRACTOR shall submit all billings for said services to the CITY in the manner specified in Exhibit "A."

3. FACILITIES AND EQUIPMENT. CONTRACTOR shall, at its sole cost and expense, furnish all facilities and equipment, which may be required for furnishing services pursuant to this Agreement.

4. GENERAL PROVISIONS. The General Provisions set forth in Exhibit "B" and Exhibit “B-1” are part of this Agreement. In the event of any inconsistency between said General Provisions and any other terms or conditions of this Agreement, the other term or condition shall control only insofar as it is inconsistent with the General Provisions.

5. EXHIBITS. All exhibits referred to herein are attached hereto and are by this reference incorporated herein.

EXECUTED as of the day first above-stated.

CITY

By:_____

CONTRACTOR

By:_____

EXHIBIT A
SCOPE OF SERVICES

(a) The total contract price for services rendered by CONTRACTOR under this Agreement shall be as specified below:

Personnel	Hourly Rate
Hand Abatement	$27.00
Laborer	$27.00
Laborer with weed eater	$31.00
Truck/Hauling	$70.00
Land leveling	$90.00

(b) Payment shall be made to CONTRACTOR on a time and materials basis, and CONTRACTOR shall submit monthly invoices to the City of Benicia Fire Department for the same.

(c) Any additional meetings or work required beyond that set forth in Exhibit “A” shall be mutually agreed to by the CITY and CONTRACTOR, and shall be billed on a time and materials basis to the City of Benicia Fire Department.

EXHIBIT B
GENERAL PROVISIONS

(l) INDEPENDENT CONSULTANT. At all times during the term of this Agreement, CONTRACTOR shall be an independent contractor and shall not be an employee of CITY. CITY shall have the right to control CONTRACTOR only insofar as the results of CONTRACTOR'S services rendered pursuant to this Agreement; however, CITY shall not have the right to control the means by which CONTRACTOR accomplishes services rendered pursuant to this Agreement.

(2) LICENSES; PERMITS; ETC. CONTRACTOR represents and warrants to CITY that CONTRACTOR has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for CONTRACTOR to practice CONTRACTOR'S profession. CONTRACTOR represents and warrants to CITY that CONTRACTOR shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for CONTRACTOR to practice his profession.

(3) TIME. CONTRACTOR shall devote such services pursuant to this Agreement as may be reasonably necessary for satisfactory performance of CONTRACTOR'S obligations pursuant to this Agreement. CONTRACTOR shall adhere to the Schedule of Activities as described in their Executive Summary.

(4) INSURANCE.

(a) WORKERS' COMPENSATION. During the term of this Agreement, CONTRACTOR shall fully comply with the terms of the law of California concerning workers' compensation. Said compliance shall include, but not be limited to, maintaining in full force and effect one or more policies of insurance insuring against any liability CONTRACTOR may have for workers' compensation. Said policy shall also include employer's liability coverage no less than $1,000,000 per accident for bodily injury or disease.

(b) GENERAL LIABILITY INSURANCE. CONTRACTOR shall obtain at its sole cost and keep in full force and effect during the term of this agreement commercial general liability insurance in the amount of $1,000,000 per occurrence for bodily injury, personal injury, and property damage. Said insurance shall provide (1) that the CITY, its officers, agents, employees and volunteers shall be named as additional insured's under the policy, and (2) that the policy shall operate as primary insurance, and that (3) no other insurance held by the CITY or other named insured's will be called upon to cover a loss covered thereunder.

(c) AUTOMOBILE LIABILITY INSURANCE. CONTRACTOR shall obtain at its sole cost and keep in full force and effect during the term of this agreement automobile liability insurance in the amount of $1,000,000 per occurrence for bodily injury and property damage. Said insurance shall provide (1) that the CITY, its officers, agents, employees and volunteers shall be named as additional insured's under the policy, and (2) that the policy shall operate as primary insurance, and that (3) no other insurance held by the CITY or other named insured's will be called upon to cover a loss covered thereunder.

(d) CERTIFICATES OF INSURANCE. CONTRACTOR shall file with Chief upon the execution of this agreement, certificates of insurance which shall provide that no cancellation, major

change in coverage, expiration, or nonrenewal will be made during the term of this agreement, without thirty (30) days written notice to the Chief prior to the effective date of such cancellation, or change in coverage.

CONTRACTOR shall file with the Chief concurrent with the execution of this agreement, the City's standard endorsement form (attached hereto) providing for each of the above requirements.

(5) CONTRACTOR NO AGENT. Except as CITY may specify in writing, CONTRACTOR shall have no authority, express or implied, to act on behalf of CITY in any capacity whatsoever as an agent. CONTRACTOR shall have no authority, express or implied, pursuant to this Agreement, to bind CITY to any obligation whatsoever.

(6) ASSIGNMENT PROHIBITED. No party to this Agreement may assign any right or obligation pursuant to this Agreement. Any attempted or purported assignment of any right or obligation pursuant to this Agreement shall be void and of no effect.

(7) PERSONNEL. CONTRACTOR shall assign only competent personnel to perform services pursuant to this Agreement. In the event that CITY, in its sole discretion, at anytime during the term of this Agreement, desires the removal of any person or persons assigned by CONTRACTOR to perform services pursuant to this Agreement, CONTRACTOR shall remove any such person immediately upon receiving notice from CITY of the desire of CITY for the removal of such person or persons.

(8) STANDARD OF PERFORMANCE. CONTRACTOR shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which CONTRACTOR is engaged in the geographical area in which CONTRACTOR practices his profession. All products of whatsoever nature which CONTRACTOR delivers to CITY pursuant to this Agreement shall be prepared in a substantial, first-class, and workmanlike manner, and conform to the standards of quality normally observed by a person practicing in a CONSULTANT's profession. CITY shall be the sole judge as to whether the product of the CONTRACTOR is satisfactory.

(9) CANCELLATION OF AGREEMENT. This Agreement may be canceled at any time by CITY for its convenience upon written notification to CONSULTANT. CONTRACTOR shall be entitled to receive full payment for all services performed and all costs incurred to the date of receipt of written notice to cease work on the project. CONTRACTOR shall be entitled to no further compensation for work performed after the date of receipt of written notice to cease work. All completed and uncompleted products up to the date of receipt of written notice to cease work shall become the property of CITY.

(10) PRODUCTS OF CONSULTING. All products of the CONTRACTOR, under this agreement, shall be the property of the CITY.

(11) INDEMNIFY AND HOLD HARMLESS. CONTRACTOR shall indemnify, defend, and hold harmless the CITY, its officers, agents, employees and volunteers from all claims, suits, or actions of every name, kind and description, brought forth on account of injuries to or death of any person or damage to property arising from or connected with the willful misconduct, negligent acts, errors or omissions, ultra-hazardous activities, activities giving rise to strict liability, or defects in design by the CONTRACTOR or any person directly or indirectly employed by or acting as agent for CONTRACTOR in the performance of this Agreement, including the concurrent or successive passive negligence of the CITY, its officers, agents, employees or volunteers.

It is understood that the duty of CONTRACTOR to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.

Acceptance of insurance certificates and endorsements required under this Agreement does not relieve CONTRACTOR from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

(12) PROHIBITED INTERESTS. No employee of the CITY shall have any direct financial interest in this agreement. This agreement shall be voidable at the option of the CITY if this provision is violated.

(13) LOCAL EMPLOYMENT POLICY. The CITY of Benicia desires wherever possible, to hire qualified local residents to work on CITY projects. Local resident is defined as a person who resides in Solano County.

The CITY encourages an active affirmative action program on the part of its contractors, consultants, and developers.

When local projects require, subcontractors, contractors, consultants and developers will solicit proposals from qualified local firms where possible.

As a way of responding to the provisions of the Davis-Bacon Act and this program, contractor, consultants, and developers will be asked, to provide no more frequently than monthly, a report which lists the employee's name, job class, hours worked, salary paid, CITY of residence, and ethnic origin.

(14) CONSULTANT-NOT PUBLIC OFFICIAL. CONTRACTOR is not a "public official" for purposes of Government Code §§ 87200 et seq. CONTRACTOR conducts research and arrives at conclusions with respect to his or her rendition of information, advice, recommendation or counsel independent of the control and direction of the CITY or any CITY official, other than normal contract monitoring. In addition, CONTRACTOR possesses no authority with respect to any CITY decision beyond the rendition of information, advice, recommendation or counsel.

(15) EMPLOYMENT DEVELOPMENT DEPARTMENT REPORTING REQUIREMENTS. When CITY executes an agreement for or makes payment to CONTRACTOR in the amount of $600 (six hundred dollars) or more in any one calendar year, CONTRACTOR shall provide the following information to CITY to comply with Employment Development Department (EDD) reporting requirements:

(A) Whether CONTRACTOR is doing business as a sole proprietorship, partnership, limited liability partnership, corporation, limited liability corporation, non-profit corporation or other form of organization.

(B) If CONTRACTOR is doing business as a sole proprietorship, CONTRACTOR shall provide the full name, address and social security number or federal tax identification number of the sole proprietor.

(C) If CONTRACTOR is doing business as other than a sole proprietorship, CONTRACTOR shall provide CONTRACTOR's federal tax identification number.

EXHIBIT B-1
VEGETATION MANAGEMENT ABATEMENT CONTRACT SPECIAL CONDITIONS

1. OPTION TO EXTEND AGREEMENT. CITY at its sole option may extend the term of this agreement twice for a maximum of up to two additional one-year terms, at a rate that may be increased no more than the latest annual increase in the Consumer Price Index, by giving CONTRACTOR written notice at least thirty (30) days before the expiration of a term. CONTRACTOR shall have seven (7) days from receipt of CITY's offer to provide CITY with written acceptance of the extension.

2. RECORDS. CONTRACTOR shall identify the properties assigned by work orders for abatement by reference to the official Solano County Assessor Parcel Maps.

3. DILIGENT PERFORMANCE. CONTRACTOR shall diligently perform work orders issued by the Fire Chief or his designee to timely completion, but in no event shall fail to complete work within ten (10) days unless performance within that time period is expressly excused by the Fire Chief or his designee.

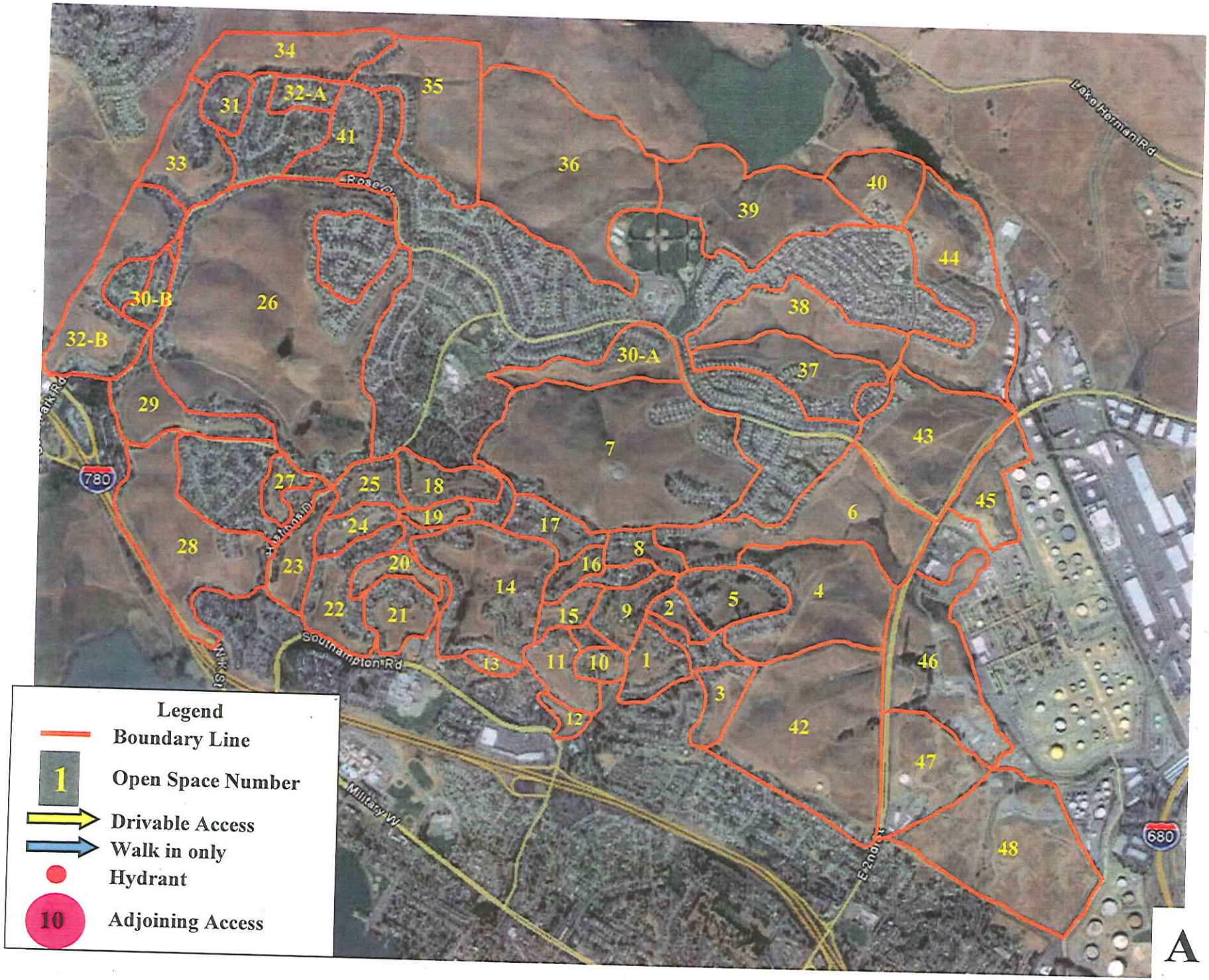
4. PROGRESS REPORTS. CONTRACTOR shall report weekly to the Fire Chief or his designee concerning the work he has performed.

5. BUSINESS LICENSE. CONTRACTOR shall hold a CITY of Benicia Business License before commencing any work under the contract.

6. WETLAND AND SENSITIVE HABITATS. CONTRACTOR shall make himself available for training in identification of wetlands and sensitive habitats under the jurisdiction of agencies such as the Environmental Protection Agency, Army Corps of Engineers, and California Fish and Game.

7. METHOD OF ABATEMENT. CONTRACTOR **shall receive CITY approval when determining the most appropriate method of abatement under the circumstances**; except that grading or land leveling shall not be performed in areas which CONTRACTOR has reason to believe may be either wetlands or sensitive habitat. If CONTRACTOR is uncertain whether an area may be wetlands or a sensitive habitat, he shall not abate but instead contact the Fire Marshal.

8. PRIVATE ABATEMENT ACCOUNTS. To avoid unnecessary CITY inspections, document preparation or work orders, prior to commencing any CITY work under the Contract, CONTRACTOR shall provide the Fire Chief or his designee a list, which identifies by assessor's parcel number or address each property, which CONTRACTOR has been hired to abate by a private party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14
4
22
21
15
9
2
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Southampton Rd
13
11
10
1
46
3
12
42
47
48
780
680
Lake Herman Rd
Military W
Legend
Boundary Line
Open Space Number
Drivable Access
Walk in only
Hydrant
Adjoining Access

A

VII.B.11

VII.B.12

CITY OF BENICIA

DIVISION OF FIRE AND LIFE SAFETY

STANDARD G - 701

MAINTENANCE STANDARD FOR VEGETATION MANAGEMENT

AUTHORITY: Benicia Municipal Code, Chapter 8.08

Chapter 8.08 of the Benicia City Code regulates weed and rubbish abatement procedures. Chapter 8.08 may be viewed in its entirety on the city website at www.ci.benicia.ca.us or at the Benicia Fire Department. The following are excerpts from Chapter 8.08 that are being provided as a quick reference to property owners.

DEFINITIONS:
Rubbish – means waste matter, litter, trash, refuse, debris, and dirt which when dry, may become a fire hazard or which is or may become a menace to health, or which is offensive to the senses.

Streets – includes alleys, parkways, driveways, sidewalks and areas between sidewalks and curbs.

Weeds – means weeds which when mature bear wings or down seeds, or which because of having attained or which may attain, such a large growth and being dry shall have become a fire menace, or which are otherwise noxious and dangerous to health.

Section 8.08.010 – Public Nuisance:
The City Council does hereby declare that all weeds growing upon private property or streets in the city and all rubbish on private property or streets in the city are public nuisances.

Section 8.08.040 – Duty of property owner to abate:
It shall be unlawful for any person owning, occupying, renting, managing or controlling any real property in the city to cause or permit any weeds, or to place, cause or permit any rubbish to be or remain on any real property in the city or on portions of streets adjoining such real property to the center line of such streets. It shall be the duty of every such person to remove or destroy such weeds and/or rubbish. Destruction by burning within the city is unlawful.

Section 8.08.050 – Appeal from notice:
Within ten (10) business days from the time of posting of the notice, or within ten (10) business days from the date of the service of certified mail, the owner of, or any person interested in, the property, land, or lot affected by such notice may appeal to the fire

chief. Such appeal shall be in writing and shall be filed with the city clerk. The fire chief shall hold a meeting with the person appealing and the fire chief shall proceed to hear and pass upon such appeal. The decision thereon shall be final and conclusive.

Section 8.08.060 – Removal by City required:
If the person owning, occupying, renting, managing or controlling real property in the city fails to remove or destroy weeds and rubbish in accordance with the notice given pursuant to the provisions of Section 8.08.040 or 8.08.040 within ten (10) days after the mailing or posting of such notice, it shall be the duty of the fire chief and his or her assistants, employees, contracting agents, or other representatives, to destroy or remove such weeds or rubbish.

MAINTENANCE STANDARDS

1. All parcels must be TOTALLY disked or mowed as many times as necessary during fire season to maintain weed growth at four (4) inches or less in height.

2. All weeds must be removed, including those along walkways and curbs around the property perimeter. Sidewalks and walking areas must be kept free of weeds, other nuisance vegetation and rubbish. Mowed weeds/grass shall be removed from the entire lot.

3. All rubbish (waste matter, litter trash, debris, dirt piles) must be removed from the entire parcel. To discourage dumping on vacant parcels, it is recommended that **"NO DUMPING", "NO TRESPASSING"** signs be posted, or that parcels be fenced. (Contact the Benicia Police Department at 746-3412 for posting requirements.)

4. Dead brush, bushes, vines, and trees must be removed from property. Parcels shall be maintained to allow reasonable access for firefighting operations. Windrows are **NOT** allowed.

5. Disking shall include rotor tilling or cultivating. Discs shall be set at an angle sufficient to cut the sod growth loose and bury the growth of weeds/grass existing at that time. Weeds/grass growth between disked area and sidewalks, buildings, fences, etc., must be cut down and removed.

6. The maintenance of trees on private property is generally a civil affair that must be resolved by the property owners, and will not be addressed by the city unless the fire chief or his or her designee determines that the situation constitutes a hazard.

VACANT PARCEL DISKING OR MOWING EXCEPTIONS:

If you are claiming an exemption as listed below, you must send a letter to the Benicia Fire Department, Fire Prevention Bureau, stating which abatement procedure you will be following or your exemption status. If we do not receive this notification, the parcel will be abated to code standard:

1. Parcels under agricultural use are required to have thirty-foot firebreaks adjacent to all developed area fences or structures. The balance of the parcel will require TOTAL abatement by disking or mowing after the crops are harvested.

2. Single parcels being used as pasture (other than irrigated pasture), must have a thirty-foot firebreak around the perimeter of the property. Pastureland is defined as a parcel of land in excess of one (1) acre where sufficient animals are essential to maintain the maximum height of combustible growth to four (4) inches. If the number of animals present cannot control combustible growth, total abatement of the parcel by disking or mowing will be required. Several separate parcels (other than irrigated pasture) grouped by one owner or one user into a single contiguous parcel, which is being used as pasture, will be treated as a single parcel with a single owner.

3. Thirty-foot firebreaks shall be provided around the outside perimeter and around all combustible structure such as buildings, wooden fences, large areas of trees or deadfall, and other combustible foliage. Other areas of the property may require additional firebreaks because of their potential capability to spread fire as: gullies, creeks, etc. These additional needs shall be determined by the fire department on a case-by-case basis.

4. Irrigated pastureland is herein described as land used for grazing purposes where irrigation of said land is consistent enough to keep ground growth green. NOTE: Combustible growth that occurs when irrigation ceases must be removed as set forth in these standards.

5. Properties that are protected by any environmental agency due to wetlands, natural habitats, etc. **ARE NOT REQUIRED TO COMPLY WITH THESE STANDARDS.**

REVIEWED AND APPROVED BY: _____

Ray Iverson
Fire Marshal

Date: _____

VII.B.16

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
CONSENT CALENDAR

DATE : March 21, 2011

TO : City Manager

FROM : Public Works and Community Development Director

SUBJECT : **APPROVAL OF CONTRACT AMENDMENT WITH CITYCENTRIC FOR MARK RHOADES TO SERVE AS LAND USE AND ENGINEERING MANAGER POSITION ON AN INTERIM BASIS**

RECOMMENDATION:
Adopt a resolution approving a contract amendment with CityCentric Investments for professional services and authorizing the City Manager to sign the contract amendment on behalf of the City.

EXECUTIVE SUMMARY:
This contract amendment authorizes the re-hiring of Mark Rhoades of CityCentric to serve as Interim Land Use and Engineering Manager on a part-time basis (24-to-30 hours per week) for up to one year, with the cost covered through salary savings realized from the soon to be vacant Land Use and Engineering Manager position. Mr. Rhoades skill set and proven prior success with the City in 2010 makes him uniquely qualified to serve in this role and he can assist the City immediately.

BUDGET INFORMATION:
The contract amendment is for a one year term beginning April 14, 2011, for a not-to-exceed amount of $117,000 ($75/hour for up to 30 hours/week or 1560 total hours). The cost will be offset by salary savings from the unfilled full-time position. Total savings for the one-year period to the General Fund are $62,938 (as shown on the next page).

STRATEGIC PLAN:
Relevant Strategic Plan Issues and Strategies:

- Strategic Issue 3: Strengthening Economic and Fiscal Conditions
  - Strategy #4: Manage City finances prudently

BACKGROUND:
After 20 years of service, Assistant Director of Public Works/Utilities Manager Chris Tomasik has announced her retirement effective May 1, necessitating that interim appointments be made to effectuate a smooth transition. Land Use and

Engineering Manager Melissa Morton will become Interim Assistant Public Works Director/Utilities Manager and Mark Rhoades of CityCentric will return to fill the Interim Land Use and Engineering Manager position he occupied in 2010. This arrangement allows time for staff to further evaluate the City's financial situation and determine the best future course of action. The following tables illustrate the savings to the General Fund from this arrangement. Additional cost savings may be realized, as Mr. Rhoades will not be eligible for education, membership, training and other reimbursements.

Land Use and Engineering Manager General Fund Savings

	Current	Proposed Interim	New Hire at Step A	**Savings**	Savings of New Hire
Salary & Benefits	173,554	117,000	141,941	**56,554**	31,613

Notes: Position is 100% General Fund. No benefits for contract employee.

Assistant Director of Public Works/Utilities Manager General Fund Savings

	Current	Proposed Interim	**Savings**
Salary & Benefits	43,005	36,621	**6,384**

Notes: Position is 20% General Fund. Interim salary includes additional 5% for City Engineer duties.

In January 2010 the City contracted with CityCentric for professional services and consultation for the Public Works and Community Development Department. Mark Rhoades served as Interim Land Use and Engineering Manager from January to July 2010, when Melissa Morton was hired as Land Use and Engineering Manager. The $75 hourly rate is a significant reduction compared to the $125 hourly rate paid in 2010.

Attachments:

- Proposed Resolution
- Contract Amendment with Exhibits A and B

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA APPROVING A CONTRACT AMENDMENT IN A NOT-TO-EXCEED AMOUNT OF $117,000 WITH CITYCENTRIC INVESTMENTS FOR PROFESSIONAL SERVICES AND CONSULTATION AND AUTHORIZING THE CITY MANAGER TO SIGN THE AMENDMENT ON BEHALF OF THE CITY

WHEREAS, due to the May 1, 2011 retirement of the Assistant Public Works Director/Utilities Manager, professional services are needed to fill that position and continue to provide Land Use and Engineering Manager functions as assigned by the Public Works & Community Development Director; and

WHEREAS, Citycentric Investments has demonstrated the expertise necessary to provide the required professional services for the department, primarily for Land Use and Engineering Manager services.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia approves the contract amendment in the not-to-exceed amount of $117,000, with Citycentric Investments for professional services and consultation for a one-year term beginning on April 14, 2011 for the Public Works & Community Development Department and authorizes the City Manager to sign the amendment on behalf of the City, subject to approval by the City Attorney.

* * * * *

On motion of , seconded by Council Member , the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011 and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

ATTEST:

_____
Lisa Wolfe, City Clerk

VII.C.4

AMENDMENT TO AGREEMENT

This Amendment of the Agreement, entered into this day of April, 2011, by and between the City of Benicia, a municipal corporation ("CITY") and Mark Rhoades, Citycentric Investments, a California corporation with its primary office located at 5715 Claremont Avenue, Oakland, CA 94618 (herein "CONSULTANT"), is made with reference to the following:

RECITALS:

A. On January 11, 2010, an agreement was entered into by and between CITY and Citycentric Investments. ("Agreement").

B. CITY and CONSULTANT desire to modify the Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, it is mutually agreed by and between and undersigned parties as follows:

1. Paragraph 3 (d) of the Agreement is modified to read as follows:
   Compensation and reimbursement pursuant to this Agreement shall not exceed $117,000 at the rates set forth in Exhibit B.

2. Except as expressly modified herein, all other terms and covenants set forth in the Agreement shall remain the same and shall be in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this modification of Agreement to be executed on the day and year first above written.

Citycentric Investments

By _____
Mark Rhoades

Date:_____

City of Benicia,
A Municipal Corporation

By _____
Brad Kilger, City Manager

Date:_____

RECOMMENDED FOR APPROVAL:

_____
Charlie Knox
Public Works & Community Development
Director

APPROVED AS TO FORM:

_____
Heather McLaughlin, City Attorney

EXHIBIT A
Scope of Services

Mark Rhoades, AICP, Partner in Citycentric Investments, will provide professional services and consultation for the City of Benicia Public Works and Community Development Department and will serve as Acting Land Use & Engineering Manager. The services will include management oversight and development services consultation for the Community Development functions of the Public Works & Community Development Department. This contract excludes any oversight or consultation relevant to the Public Works aspects of the Department.

The services will include staff management and oversight, observation of department structure and processes, and the provision of expertise relevant to applicable planning and zoning laws. At the completion of the services Consultant will provide the Director with general observations relevant to the performance of staff and the general organizational structure of the Community Development functions. These services will be provided on a part-time basis for a period of one year, 24-30 hours per week, beginning Thursday, April 14, 2011.

EXHIBIT B
Consultant Fees

Mark Rhoades, AICP ……..……..$75.00/hr.
Citycentric Investments

VII.C.8

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
CONSENT CALENDAR

DATE : March 22, 2011

TO : City Manager

FROM : Public Works and Community Development Director

SUBJECT : **RECOMMENDATION TO AUTHORIZE $3,000 IN VALERO/GOOD NEIGHBOR FUNDS FOR 2011 EARTH DAY EVENT**

RECOMMENDATION:
Adopt a resolution authorizing the expenditure of up to $3,000 in Valero/Good Neighbor Steering Committee Settlement Agreement funds for a 2011 Earth Day 2011.

EXECUTIVE SUMMARY:
To accomplish Climate Action Plan (CAP) Strategy EO-1.3 that supports Objective EO-1 of increasing public awareness and education about climate change, the Community Sustainability Commission recommends expending up to $3,000 in Valero/Good Neighbor funds to celebrate the Earth Day 2011 event.

BUDGET INFORMATION:
The Valero/Good Neighbor funds are not part of the General Fund and are deposited in dedicated City accounts until they are expended. The current balance in the account is $664,204.

GENERAL PLAN:
Celebrating and publicizing Earth Day supports the overarching General Plan goal of sustainability.

STRATEGIC PLAN:
Relevant Strategic Plan Issues and Strategies:

- Strategic Issue #2: Protecting and Enhancing the Environment
  - Strategy #1: Reduce greenhouse gas emissions and energy consumption

CLIMATE ACTION PLAN:
Relevant Climate Action Plan Objectives and Strategies:

- Objective EO-1: Increase Public Awareness and Education About Climate Change

SUMMARY:
Since 2009, the City has joined communities nationwide to celebrate Earth Day by holding a public event that highlights local level solutions to global climate change. The purpose of the 2011 event is to promote ecological awareness, in particular to children, and to provide practical tools to residents for sustaining a healthy environment, being energy and water efficient, and optimizing existing community resources.

The event planned for this year will be held on Thursday, April 21 at Veterans Memorial Hall (not on the customary April 22, which is Good Friday). Similar to previous celebrations, the City will solicit participation from various vendors and organizations, including (but not limited to) Allied Waste, Benicia High School SAGE, California Native Plant Society, Caterpillar Puppets, Ennovationz, and Pedrotti Ace Hardware. The event will also have a Green Zone, a K-2 coloring contest, on-site e-waste recycling, door prizes and giveaways.

At its meeting on March 21, 2011, the Community Sustainability Commission voted unanimously to request funding from the City Council to prepare for and celebrate the Earth Day 2011 event.

Attachment:
- Proposed Resolution

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA AUTHORIZING AN EXPENDITURE OF NOT-TO-EXCEED $3,000 IN FUNDS FROM THE VALERO/GOOD NEIGHBOR SETTLEMENT AGREEMENT FOR COSTS ASSOCIATED WITH THE EARTH DAY 2011 EVENT

WHEREAS, the City Council adopted Benicia's Climate Action Plan on September 15, 2009; and

WHEREAS, Objective EO-1 of the Climate Action Plan is to increase public awareness and education about climate change; and

WHEREAS, the City of Benicia has held an event to celebrate Earth Day since 2009; and

WHEREAS, at its regular meeting on March 21, 2011, the Community Sustainability Commission recommended City Council approval to authorize funding from the Valero/Good Neighbor Steering Committee Agreement to celebrate the Earth Day 2011 event.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia hereby approves an expenditure of not-to-exceed $3,000 in funds from the Valero/Good Neighbor Settlement Agreement account to prepare for and hold the Earth Day 2011 event.

* * * *

On motion of Council Member , seconded by Council Member , the above Resolution was introduced and passed by the City Council at a regular meeting of said Council held on the 5th day of April, 2011, and adopted by the following vote:

Ayes:

Noes:

Absent:

Abstain:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

VII.D.4

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
CONSENT CALENDAR

DATE : March 28, 2011

TO : City Council

FROM : City Attorney

SUBJECT : **AUTHORIZATION TO EXECUTE A QUIT CLAIM DEED TO SOLANO COUNTY FOR THE FORMER ALLEY LOCATED UNDER THE BENICIA MEMORIAL VETERANS HALL AND TO TAKE ALL NECESSARY AND RELATED ACTIONS**

RECOMMENDATION:
By resolution authorize the City Manager to execute the quit claim deed to Solano County for the former alley located under the Benicia Memorial Veterans Hall and to take all necessary and related actions.

EXECUTIVE SUMMARY:
It was recently discovered that a portion of the property on which the Veterans Hall sits is owned by the City. The County is planning to do upgrades to the Veterans Hall, which require a building permit. The building permit cannot be issued since the building crosses parcels owned by different entities. This action will allow the work to go forward.

BUDGET INFORMATION:
There is no budget impact from this action.

GENERAL PLAN:
Relevant General Plan goals, policies and programs include:
- Goal 2.28 Improve and maintain public facilities and services.
- Goal 3.8 Preserve First Street as the community focal point of Benicia.

STRATEGIC PLAN:
N/A

BACKGROUND:
The Veterans Hall was originally built in 1949. The County has recently planned to do a modernization project. When their staff applied for building permits it was determined that the building actually is on both County and City property. The City property is a former alleyway. The alley was vacated for right of way purposes in 1985 but the underlying land was not transferred to the County. This

action will allow the transfer of the land to the County. In exchange for the alley, City staff has requested some improvements be made to the property. These included placing the transformer behind the existing dumpster and installing an enclosure so neither is visible from the street. For safety purposes, Staff has also requested a fence to prevent people from parking at the Veterans Hall and walking down the steep slope to Civic Center park. People will then have to walk around to the flatter ground to access the park. See attached photos regarding the improvements. The County has agreed to these items as consideration for the quit claim deed.

Because of the quick timeframe requested by the County, a quit claim deed has not yet been prepared. The proposed resolution will authorize the City Manager to execute the necessary documents to transfer the property to the County.

Attachments:

- Resolution
- Pictures of improvement areas
- Depiction of quit claim parcel

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA AUTHORIZING THE CITY MANAGER TO EXECUTE THE QUIT CLAIM DEED ON BEHALF OF THE CITY FOR THE FORMER RIGHT OF WAY AT 1150 FIRST STREET (BENICIA MEMORIAL VETERANS HALL)

WHEREAS, the former alley running through the north half of block 41 and under the Benicia Memorial Veterans Hall was vacated in 1985 for right of way purposes; and

WHEREAS, this portion of the former alley is of no current or future use to the City of Benicia; and

WHEREAS, the improvements the County desires to make to the Veterans Hall require a building permit which cannot be issued until the former alley is given to the County.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia hereby authorizes the City Manager to execute the quitclaim deed on behalf of the City to Solano County and authorizes the City Manager to execute any related documents on behalf of the City, subject to approval as to form by the City Attorney.

*****

On motion of Council Member , seconded by Council Member , the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011, and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

ATTEST:

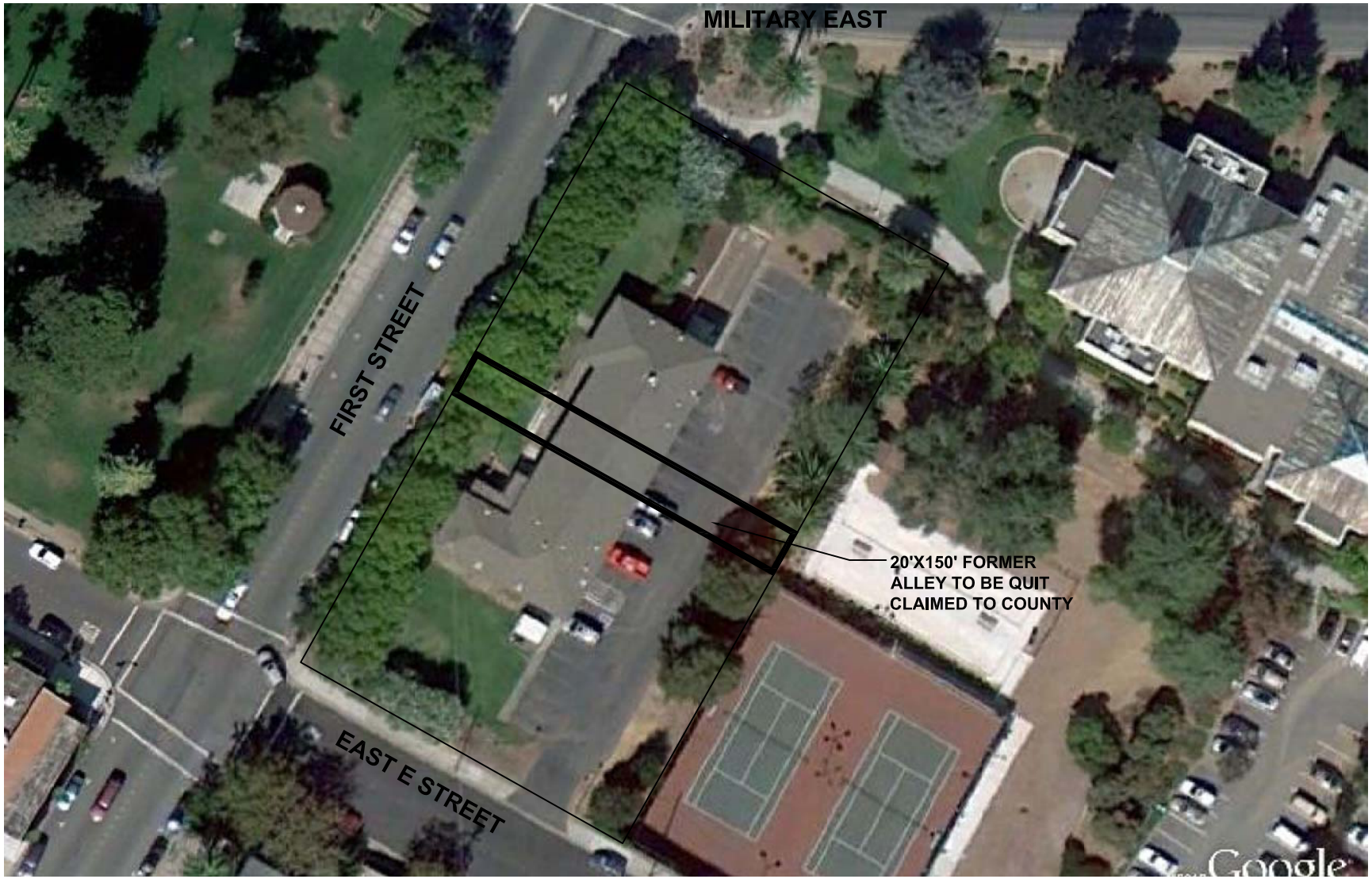
_____
Lisa Wolfe, City Clerk

VII.E.4

Dumpster to be Screened with Proposed Transformer Located Behind It
View is from Veterans Hall Parking Lot Looking North

Proposed Point of Connection to Existing Vault (Man on Top)
Note Existing Vegetation and Downward Slope Make Fence Barely Visible
Transformer will be Located Behind Fence with Additional Screening Added
View is from Pathway between Library and First Street Looking Southerly

4 Foot High Vinyl Clad Fence to be Installed behind Curb to Prevent Trip and Falls
Steep Slope Makes ADA Accessibility To Park Impractical



SITE PLAN

NTS

CITY OF BENICIA
SOLANO COUNTY, CALIFORNIA
250 EAST 'L' STREET
BENICIA, CA 94510

JOB No.							
DATE:	03/28/2011						
SCALE:	NTS						
DESIGN:	BY NV						
	CKD MR						
DRAWN:	BY NV						
	CKD MR	SYMBOL	DATE	REVISIONS		BY	CKD

VETERANS HALL QUIT CLAIM

SHEET 1
OF 1

VII.E.8

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
ACTION ITEMS

DATE : March 23, 2011

TO : City Manager

FROM : Finance Director

SUBJECT : **PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2010 AND RECOGNITION OF CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE JUNE 30, 2009 REPORT**

RECOMMENDATION:
1. Accept the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ending June 30, 2010 and authorize staff to distribute the document to recipient agencies.
2. Direct staff by minute order to terminate the Mayer Hoffman McCann P.C. contract for auditing services and solicit requests for proposals for auditing services for FY 2010-11.

EXECUTIVE SUMMARY:
The City of Benicia receives an annual independent audit of its financial records and, upon completion, produces a Comprehensive Annual Financial Report (CAFR). This year's audit was conducted under the direction of Jennifer Farr, Shareholder at Mayer Hoffman McCann P.C. (MHM), and presented to the Finance, Audit and Budget (FAB) Committee. Formal acceptance of the audited statements was delayed pending further review of the firm's involvement in the City of Bell, the State Controller's related comments, and the results of an independent peer review of MHM's auditing procedures. Upon further review, the FAB Committee recommended accepting the audited results and forwarding the CAFR to the City Council. They also recommended cancellation of the MHM contract and issuance of a Request for Proposals for auditing services for FY 2010-11, which staff has initiated. On a related note, the previous year's CAFR received the Award of Excellence from the Government Finance Officer's Association of the United States and Canada for the 19th year in a row.

BUDGET INFORMATION:
There is no fiscal impact at this time. However, the CAFR is utilized by rating agencies and lending institutions in determining the credit worthiness of the City and can influence lending rates and debt service capacity when the City borrows money.

GENERAL PLAN:
No General Plan impact.

STRATEGIC PLAN:
Relevant Strategic Plan Goals and Strategies:

- Goal 8.00: Build Organizational Quality and Capacity
  - Strategy 8.20: Measure and track service (i.e. financial) performance

BACKGROUND:
Each year, the City is required to have an independent audit of its financial records. This year audit was conducted under the direction of Jennifer Farr, Shareholder at Mayer Hoffman McCann P.C. (MHM) and was presented to the Finance Audit and Budget Committee on January 6, 2011. Once again, the City has received the highest marks available from an independent auditor, often referred to as a "clean audit." In the auditor's opinion …

...The basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Benicia as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Excerpts from the CAFR are attached to this report for your reference. The Management Discussion and Analysis Report provide a thorough discussion of the changes experienced and reported during the fiscal period. Special thanks go out to Abigail Urrutia, Assistant Finance Director, and Alyson Kauzer, Accounting Systems Supervisor, for their special efforts in organizing this year's award-winning report.

Upon approval, the CAFR will be submitted to the Government Finance Officers Association of the United States and Canada for evaluation of reporting criteria and award potential. The previous year's submission received the *Certificate of*

Achievement for Excellence in Financial Reporting and continues the City's success in receiving the award for the past 21 years.

Mayer Hoffman McCann's Peer Review

Due to the State Controller's Office unfavorable review of Mayer Hoffman McCann's audit practices with the City of Bell, an independent peer review was conducted by a national CPA firm to evaluate the quality of the audit work performed by MHM. The reviewing firm, Carr Riggs and Ingram LLC, concluded that the audit work performed by MHM with respect to its local government audit practice in California conforms to professional auditing standards and the firm's system of quality control. A copy of the report is attached as an exhibit.

After discussion of the firms auditing procedures on March 25, 2011 and much deliberation, the Finance Audit and Budget Committee voted to recommend terminating the audit services contract with MHM and further recommended that staff begin the process of soliciting Request for Proposals (RFP) for audit services as quickly as possible, with final authority to be approved by the City Council on April 5, 2011.

General Fund Budget-to-Actual Comparison

The attached *Exhibit I* summarizes the audited results in the General Fund for FY 2009-10. The year ended with budgeted operational revenues below expectations by $150,349 and operational expenditures below budget by $663,736. The major revenue shortages were from the decline in property taxes, investment income and intergovernmental revenues. These are explained more fully in the notes attached to *Exhibit 1*.

The majority of the positive expenditure results were from frozen positions that created salary and benefit savings budgeted in the Fire Department and Parks & Community Services Department, plus savings realized in lower utility costs and contracted services.

The audited results yielded an ending Undesignated Fund Balance of $5.170 million for CAFR reporting purposes, representing 17.0% of operational expenditures for the year. With the adjustment for the $1,380,738 advance from the Wastewater Fund to repay the Valero Property Tax Loan, for purposes of the budget, the General Fund had accumulated a 21% undesignated fund balance. The difference lies in the Government Accounting Standards Board (GASB) requirement that all internal fund advances be reported at their gross amount, even though the amortization period may be several years in to the future. In this case, the remaining amortization period for the Valero loan served as the basis for the Wastewater Fund advance, which is six years.

Exhibit II was requested from a prior year by the Finance, Audit and Budget Committee to show the link between the CAFR and the City's Budget Document. The revenues and expenditures are reconciled, as well as the Ending Fund Balances, with minor rounding differences.

A complete copy of the CAFR is available at the City Clerk's Office, the Finance Department, and online at the City of Benicia website:
http://www.ci.benicia.ca.us/finance

Attachments:

- Excerpts from FY 2009-10 Comprehensive Annual Financial Report
- General Fund Budget to Actual Comparison
- Independent Accountant's Report on Mayer Hoffman McCann P.C.

CRI CARR RIGGS & INGRAM
CPAs and Advisors

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P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors of
Mayer Hoffman McCann P.C.

We have examined management's assertion regarding the California Municipal Audit Practice of Mayer Hoffman McCann P.C. that:

> "the system of quality control for the accounting and auditing practice applicable to municipal audits performed by the California offices of Mayer Hoffman McCann P.C. in effect for the year ended October 31, 2010, has been designed to meet the requirements of the quality control standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, referred to as generally accepted governmental auditing standards (GAGAS); U.S. generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the California Business and Professional Code. The system of quality control was also complied with during the year ended October 31, 2010, to provide the firm with reasonable assurance of complying with the applicable professional standards"

Mayer Hoffman McCann P.C.'s management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion; however, our examination does not provide a legal determination on compliance with the requirements of specified laws, regulations or rules.

In our opinion, management's assertion referred to above is fairly stated, in all material respects, based on the criteria set forth above.

Carr Riggs & Ingram

Gainesville, Florida
March 3, 2011

Harold L. Monk, Jr., CPA, CFE
Engagement Partner

Experience
Harold L. Monk, Jr. is a partner in the firm of Carr, Riggs & Ingram, LLC, in Gainesville, Florida. Born and raised in Gainesville, he graduated from the University of Florida in 1968 majoring in accounting. He worked as an internal auditor for the University of Florida for one year before joining a large local firm in 1969. In 1977, Harold was a founding partner of Davis, Monk & Company which merged with CRI in 2010. Harold is a Certified Public Accountant licensed in Florida and is a Certified Fraud Examiner.

Active professionally, Harold is the immediate past **Chair of the Auditing Standards Board of the AICPA.** He has served the Florida Institute of Certified Public Accountants as a member of numerous committees, and as a member of the Board of Governors, and as a CPE Discussion Leader. Harold was recognized as an "Outstanding Seminar Leader" for seven years by the FICPA, and was recognized as one of the top twenty instructors nationally for numerous years by the American Institute of CPAs. Harold continues to be an active speaker throughout the country on accounting and auditing issues. He has also served as a technical investigating officer for the Florida State Board of Accountancy. For several years, he chaired the joint task force for the Auditor General's office and the Florida State Board of Accountancy responsible for reviewing governmental audits filed within the State. In 2002 US Comptroller General Davis Walker appointed him the Advisory Council for the GAO.

Harold is the 2010 recipient of the AICPA's **Gold Medal for Distinguished Service**, the highest award the AICPA gives to a member.

Numerous articles authored by Harold have been featured in **state and national publications** and he has authored or co-authored "Advanced Auditing for Partners and Managers" (AICPA), "Compliance Auditing" (AICPA), "Guide to Single Audits" (PPC), "Audits of Local Governments" (PPC), "Preparing Non Profit Financial Statements" (PPC), "Annual Accounting and Auditing Update" (PPC) and "Maximizing Single Audit Efficiency" (PPC).

Education
BSBA, Accounting, University of Florida

Professional Affiliations
American Institute of Certified Public Accountants (AICPA)
Florida Institute of Certified Public Accountants (FICPA)

Exhibit I (a)
General Fund Budget to Actual

	Amended FY 2009/10 12/07/10	Actual YTD	Surplus (Deficit)	Salary & Benefit Savings	Materials Supplies Services	Accounting Liability Misc Rev.	Note
Revenues							
Use of Designated Reserves	-	-	-				
City Council	500	-	(500)			(500)	
City Treasurer	97,860	97,840	(20)			(20)	
City Manager	500	515	15			15	
Human Resources	-	-	-			-	
Economic Development	-	50	50			50	
City Attorney	-	80	80			80	
Finance	-	-	-			-	
Community Grants & Promotions	-	-	-			-	
Library	64,505	67,150	2,645			2,645	
PW & CDD	447,250	480,165	32,915			32,915	
Police	414,045	421,190	7,145			7,145	
Fire	360,000	274,345	(85,655)			(85,655)	
Parks & Community Services	954,970	1,110,905	155,935			155,935	(1)
Insurances	-	-	-			-	
Non-Departmental	28,043,420	27,553,930	(489,490)			(489,490)	(2)
Interfund Transfer-In	80,415	80,415	-			-	
Revenue Total	**30,463,465**	**30,086,585**	**(376,880)**	-	-	**(376,880)**	
Expenditures							
City Council	102,170	103,975	(1,805)	(2,745)	940	(1,805)	
City Clerk	78,555	74,785	3,770	775	2,995	3,770	
City Treasurer	99,165	99,070	95	1,940	(1,845)	95	
City Manager	584,485	584,985	(500)	(3,300)	2,800	(500)	
Human Resources	350,850	303,970	46,880	26,140	20,740	46,880	
Economic Development	404,360	370,570	33,790	10,110	23,680	33,790	
City Attorney	559,850	588,110	(28,260)	32,810	(61,070)	(28,260)	
Finance	1,164,710	1,153,830	10,880	2,050	8,830	10,880	
Community Grants & Promotions	420,460	420,460	-	-	-	-	
Library	1,260,640	1,220,375	40,265	34,255	6,010	40,265	
PW & CDD	2,803,405	2,795,410	7,995	21,920	(13,925)	7,995	
Police	8,604,835	8,626,105	(21,270)	(78,590)	57,320	(21,270)	
Fire	7,034,120	6,846,795	187,325	112,160	75,165	187,325	(3)
Parks & Community Services	5,033,435	4,875,920	157,515	(79,335)	236,850	157,515	(4)
Insurances	528,855	653,190	(124,335)	-	(124,335)	(124,335)	(5)
Non-Departmental & Debt Service	1,433,635	1,543,465	(109,830)	9,355	(119,185)	(109,830)	(6)
Interfund Transfer-Out	639,990	585,505	54,485	-	54,485	54,485	
Expenditure Total	**31,103,520**	**30,846,520**	**257,000**	**87,545**	**169,455**	**257,000**	
Operational Surplus/(Deficit)	**(640,055)**	**(759,935)**	**(119,880)**				
Capital Projects & Non-Recurring							
Non-Recurring Revenues	732,605	950,485	217,880				
Non-Recurring Expenditures	971,545	713,805	257,740				
Non-Recurring Surplus/(Deficit)	**(238,940)**	**236,680**	**(39,860)**				
Combined Surplus/(Deficit)	**(878,995)**	**(523,255)**	**(159,740)**				
Transfers to Balance Sheet	(310,580)	(310,580)					
Opening Fund Balance Adjustment	257,254	249,900					
Fund Balance	**6,202,624**	**6,551,010**					
	19.9%	**21.2%**					

F:\finance\BUDGET\09-11 Budget\Amended\Adjustments\2009.2010 Year End 12.07.2010\[CAFR Present.xls]GF Summary 09-10

Exhibit 1 (b)
General Fund Notes

Item	Description
1	Parks & Community Services had a one-time revenue recognition for open space/park maintenance deposit for the St. Catherine's Wood area for park maintenance and collected higher recreation fees.
2	Non-departmental revenues came in lower than anticipated due to decline in property taxes, sales tax, and lower investment earnings.
3	The Fire Department had frozen positions that created salary savings and incurred lower operational costs.
4	Parks & Community Services incurred lower utility costs, operating supplies and contracted services.
5	Premiums for general administration, general liability and property insurance were higher than anticipated, as well as liability claims.
6	Non-departmental expenditures were higher than anticipated due to a tremendous increase in property tax administration fee charged by Solano County. The transfer of cell tower revenues from the Water Enterprise Fund to the General Fund was not recognized, which was supposed to offset utility costs.

F:\finance\BUDGET\09-11 Budget\Amended\Adjustments\2009.2010 Year End 12.07.2010\[CAFR Present.xls]GF Notes 09-10

Exhibit 11

General Fund Reconciliation - Budget to CAFR

	General Fund Budget Report Actual	Cable Fund Budget Report Actual	Combined Budget Report Total	Audited CAFR Report Actual
Revenues:				
Operating	$ 30,086,585	$ 8,033	$ 30,094,618	$ 30,864,786
Non-Recurring	950,485		950,485	
Other Financing Sources				180,415
Deduct loan repayt from Transit *			(50,000)	-
Rounding difference			24	
Total Revenues	$ 31,037,070	$ 8,033	$ 30,995,127	$ 31,045,201
Expenditures:				
Operating	$ 30,846,520	$ 25,740	$ 30,872,260	$ 30,483,369
Non-Recurring	713,805		713,805	
Other Financing Uses			-	906,500
Deduct loan payment to WW *			(246,270)	
Total Expenditures	$ 31,560,325	$ 25,740	$ 31,339,795	$ 31,389,869
Surplus/(Deficit)	$ (523,255)	$ (17,707)	$ (344,668)	$ (344,668)

Reconciliation of Fund Balances	
Available Fund Balance Reported in Budget	**$ 6,551,010**
Adjustments to reconcile to CAFR Fund Balance:	
Reserved for Prepaid Items	44,136
Reserved for Encumbrance	196,069
Reserved for Advances	320,666
Unreserved - Future Projects	186,755
Unreserved - Cable Grant	27,422
Advance from Wastewater Fund	(1,380,738)
Total Fund Balance Reported in CAFR	**$ 5,945,320**

* For budget purposes, loan repayment to the General Fund show as revenues and loan payment show as expenditures.

F:\finance\BUDGET\09-11 Budget\Amended\Adjustments\2009.2010 Year End 12.07.2010\[CAFR Present.xls]GF Recon 09-10

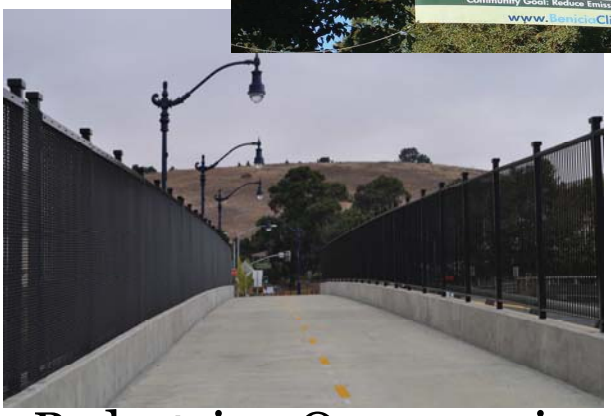
IX.A.10

THE CITY OF

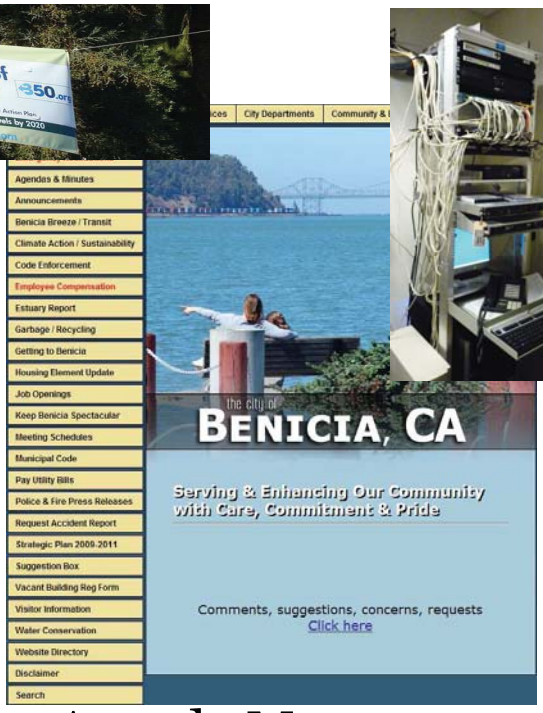
BENICIA

CALIFORNIA

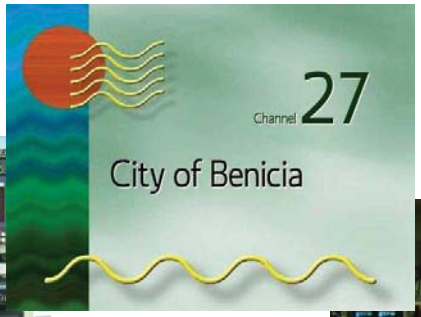
COMPREHENSIVE ANNUAL FINANCIAL REPORT



Pedestrian Overcrossing

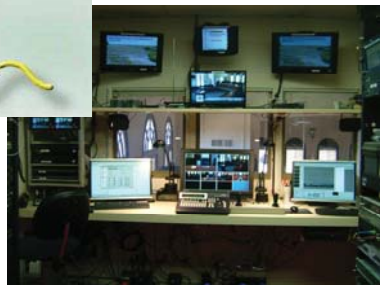


Agenda Management



AT&T

U-Verse



FISCAL YEAR ENDED JUNE 30, 2010

IX.A.12

CITY OF BENICIA, CALIFORNIA

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2010

Prepared by

Finance Department

THE CITY OF
BENICIA
CALIFORNIA

IX.A.14

CITY OF BENICIA

Comprehensive Annual Financial Report

Year ended June 30, 2010

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INTRODUCTORY SECTION

THE CITY OF
BENICIA
CALIFORNIA

A SESQUICENTENNIAL CITY
1847 ★ 1997
THE CITY OF BENICIA CALIFORNIA

CITY HALL • 250 EAST L STREET • BENICIA, CA 94510 • (707) 746-4200 • FAX (707) 747-8120

December 7, 2010

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Benicia, California:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Benicia (the City) for the fiscal year ended June 30, 2010. This CAFR has been prepared by the Finance Department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the data and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the City, as measured by the financial activity of its governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's basic financial statements have been audited by Mayer Hoffman McCann, a public accounting firm fully licensed and qualified to perform audits of State and local governments within the State of California. The goal of the independent audit is to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatement. The independent auditor's report is presented at the front of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Benicia, California is located in southern Solano County adjacent to the Carquinez Strait, which is part of the San Francisco Bay. It is a waterfront city, known for it's small town charm, history and high quality of life. Benicia has moderate Mediterranean weather with dry warm summers and moderate winters. It currently occupies 14 square miles and serves a population of 28,086.

ELIZABETH PATTERSON, *Mayor*
Members of the City Council
ALAN M. SCHWARTZMAN, *Vice Mayor* . TOM CAMPBELL . MARK C. HUGHES . MIKE IOAKIMEDES

JIM ERICKSON, *City Manager*
TEDDIE BIDOU, *City Treasurer*
LISA WOLFE, *City Clerk*

Recycled Paper

The City was incorporated in April 24, 1851, under the laws of the State of California. The City is a general law city administered by a council-manager form of government. It is classified as a general law city because of its reliance upon California state law to define procedural regulations utilized by the City Council. The mayor and four council members are elected to staggered four year terms through a general election process. The City Council, serving as the primary governing body, is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing directors of the various City departments.

The City provides a wide range of municipal services to its citizens including public safety (fire and police), library, parks and recreation, public works, planning and zoning, water and wastewater utilities, economic development, transit, and general administrative services.

The financial reporting entity includes all funds and activities of the City of Benicia. Other governmental agencies that provide services within the City include Solano County, the Benicia Unified School District, the Benicia Housing Authority and the City of Vallejo Transit. Financial information for these agencies is not included in the accompanying financial statements because each is a legally separate entity with operations separate from the City, and the City has no financial interest in their activities.

The City of Benicia is pleased to announce that the City Council adopted the Climate Action Plan on September 2009, making Benicia the first city in Solano County to address the climate change through a comprehensive planning process, funded by a grant from the Bay Area Air Quality Management District. This process includes the recently completed greenhouse gas emission inventory, the establishment of reduction targets and the development of a Climate action Plan.

Management Summary

Benicia benefits from the stability of its leadership and experience. Elizabeth Patterson was elected mayor in November 2007 and has been a Council Member since 2003. Jim Erickson, hired as City Manager since February 2003, has officially retired as of July 15, 2010, after years of diligent and dedicated service to the City. He has agreed to serve as the Interim City Manager until November 30, 2010.

After an extensive nationwide recruitment process, the City Council has selected Brad Kilger as the next City Manager for the City. He will officially start on December 13, 2010. Brad Kilger has over 31 years of municipal experience and will bring a wealth of skills and knowledge to the City. He has served as the City Manager of Ceres since 2006. Before that, he served as Community and Economic Development Director for the City of Modesto, being responsible for the overall administration of the City's economic development, redevelopment, planning, building and work force development activities. Prior to Modesto, he served as Town Manager and Planning Director at different California cities. He will lead the executive management team, which includes seven Directors that bring substantial technical expertise and managerial experience to the City of Benicia. With this level of expertise, the City continues its reputation of progressive and business-like management. The City Council and the Executive Management Team stress long-term planning and the ability to turn fiscal challenges into opportunities.

The City has a ten-year General Fund budget forecasting model, which has become a guide and educational tool for the City's management staff, Council Members and citizens. The model is updated annually to reflect the ever-changing economic environment we live in. The City's Finance, Audit and Budget Committee also takes a very active role in monitoring the ten-year model and has recommended several enhancements to ensure the viability of the model in forecasting future operational outcomes that will support a high level of service required by a growing community. In addition to the model, the City has also developed a strategic plan that directs the City's vision for success, which is updated every budget cycle. This plan identifies strategies and priorities that will best address issues raised by the City's stakeholders, and serves as a framework for the City to provide the community with integrity, excellence, service and inclusiveness of all.

By combining the business-like attitude with the ten-year model, taking into account the strategic issues that have been identified, the City has been able to preserve its targeted 20% Undesignated Reserve Level.

ECONOMIC OUTLOOK AND CONDITION

Benicia's strategic setting on the Carquinez Strait has made it an attractive location as both a place to live and a place for industrial growth. While largely built out, families continue to be attracted to the City of Benicia's quiet tree-lined neighborhoods, good schools, low crime rate and small-town, historic charm.

The table below illustrates the City's General Fund property, sales and utility tax collections for fiscal years 2005 through 2010:

General Fund Tax Collections
2004-05 Through 2009-10

Year	Property	Sales	Utility
2004-05	10,774,630	4,567,137	2,826,370
2005-06	11,919,854	5,373,118	3,001,316
2006-07	12,881,657	6,285,439	5,056,904
2007-08	13,534,307	6,794,114	4,190,517
2008-09	13,053,648	6,958,722	4,413,428
2009-10	12,468,070	6,490,069	4,938,585

As the table indicates, property taxes decreased $585,578 (4.55%) in fiscal year 2009-10. The decrease is a result of the continued decline in assessed valuation of real estate properties throughout the country. The City is fortunate enough that the decrease is the lowest within the county. Sales tax decreased $468,653 (7.46%) in fiscal year 2009-10. This decrease reflects the effect of the national recession to the City. After years of strong performance by the many businesses in town, the slow economy is finally catching up with us. Utility user tax collections increased $555,157 (10.38%) due to higher revenues generated from Valero and the revamping of the utility users tax for communications.

The City's Industrial Park was a model for other California cities on how to transform an abandoned military base into a viable industrial park and local economic catalyst. The Benicia Industrial Park provides a strong sales tax base for the City, generating over 60% of the City's sales tax revenue. Valero's Northern California Petroleum Refinery is a major activity in the Park. Amports owns the

deep-water Port of Benicia and maintains a large distribution center in Benicia, which processes over 150,000 passenger cars and light trucks annually. Other industrial sectors represented in the park include steel and metal fabrication, construction, wine warehousing and distribution and nutriceutical product research, general manufacturing and petro-chemical industry supplies and service.

Over the last decade, the total square footage of the Benicia Industrial Park has expanded to about 7,000,000 square feet, over 400 companies, and an estimated 6,500 jobs. The types of companies locating in the Industrial Park continue to diversify Benicia's economic base and reflect Benicia's prominence as an industrial center located midway between the Bay Area and Sacramento markets. Access to major Northern California freeways and railways contribute to the success and viability of the Benicia Industrial Park.

Discovery Builders, a major Northern California developer, owns approximately 500 acres adjacent to the Benicia Industrial Park. When approved and developed, the new Benicia Business Park will significantly increase property, sales and utility tax revenue for the City. Consistent with the City's General Plan, the new business park will contain over 2 million square feet of light industrial uses and over 800,000 square feet of commercial space. The planning process has been stalled temporarily due to the regional economic slowdown but is expected to begin again as soon as the regional economy improves.

The following is a list of the top 15 employers in the Industrial Park:

Employer	Employees	Type of Business
Valero Refining Co	538	Petroleum Refining
Bio-Rad Laboratories, Inc.	268	Manufacture Hematology Products
Dunlop Manufacturing Inc.	234	Manufacture/Distribute Musical Accessories
Cytosport	171	Valve Service Repair
Coca-Cola Bottling Co.	162	Soft Drink Delivery
Benicia Fabrication & Machine	124	Metal Products Manufacturing
The Pepsi Bottling Group	119	Soft Drink Manufacturing
Cycle Gear Inc.	111	Warehouse With Some Mail Order Sales
Veolia ES Industrial Outsourcing Inc.	103	Industrial Services
PSC Industrial Outsourcing LP	99	Industrial Waste Cleaning/Disposal
Radiator Express Warehouse, Inc.	93	Distribute Radiators
Philip Services Corp.	88	Local trucking company
APS West Coast, Inc.	85	Operate Port of Benicia
Valley Fine Foods Co., Inc	81	Manufacture frozen foods
Conam Inspection & Engr Svcs Inc.	80	Non-destructive testing service

FINANCIAL GOALS AND STRATEGIES

The City's financial goals and strategies center on development of stable revenue sources to provide high level services to a growing community in an efficient cost-effective manner. These goals and strategies are:

1. Maintain balanced budgets that incorporate basic services and infrastructure expansion to meet community growth envisioned by the City Council, the City's General Plan and the City's Strategic Plan.
2. Promote development of job and sales tax creating businesses to reduce the standing of the City as a bedroom community by balancing housing with jobs.
3. Promote a balance of affordable housing opportunities.
4. Promote the preservation of open space, the development of cultural amenities, the encouragement of Historical Preservation and Historical Tourism, and adequate transportation.
5. Ensure growth pays its fair share.
6. Promote intergovernmental cooperation to reduce costs and better serve City residents.
7. Increase citizen involvement and City service responsiveness to residents.

There is also a strong focus on sound management of the City's financial resources to allow for the stable delivery of public services and to preserve the City's reputation in financial markets.

Balanced Budget

While the City has recovered from costly litigation concerning a storm drain improvement; the 2007 reduction in property valuation for Valero, one of the City's major property taxpayers, and continuous State takeaways, it continues to face the challenge of the greatest economic downturn since the Great Depression. With the impacts of the deepening recession and with the State's $25.4 billion budget problem, being funded by additional borrowings and delay of payments to local governments, the City had to develop balancing measures to counter falling revenues and rising costs. The City extended the hiring freeze from 7 positions at the beginning of the year to 15 positions, along with reductions in operating expenditures and Internal Service Fund set-aside accounts, the revenue losses had been fully offset and the budget was close to being balanced. In so doing, the City's General Fund reserve has remained in a secure position to weather the fiscal challenges that are anticipated in the future.

Benicia Market Analysis

The Benicia industrial market is diverse, strong and reflects the petro-chemical, steel fabrication and machining, construction, environmental engineering and warehouse/distribution sectors. For the last decade, the Benicia Industrial Park has been an attractive alternative to the Contra Costa market due to more affordable rents, access to affordable housing and a skilled and semi-skilled labor pool. The Benicia Industrial Park currently includes approximately 7 million square feet of built space. While other communities are experiencing significant reductions in sales tax revenue, the Benicia Industrial Park remains a stable economic engine for the City. On the eastern part of town, a 50-bedroom hotel has been completed and is open for business, which will be an added source of the City's transient occupancy tax in the near future.

Long-term Financial Planning

The City updates a Capital Improvement Program (CIP) on a biennial basis based upon the "Council Priority List" of future capital and infrastructure needs. The CIP projects for fiscal year 2009-10 totaled $6.7 million. Funding comes from multiple sources, including existing funds, development taxes, and regional, state and federal funds over the next five-year period.

A citywide Strategic Plan has been developed through a series of public meetings, retreats and workshops with the City Council and City Management. The budget serves as the implementation measure for this plan and sets forth five major Strategic Issues as follows:

- Protecting Community Health and Safety
- Protecting and Enhancing the Environment
- Strengthening Economic and Fiscal Conditions
- Preserving and Enhancing Infrastructure
- Maintain and Enhance a High Quality of Life

As the City looks beyond its biennial budget, finances are not expected to be much better three years from now. Accordingly, maintenance of the hiring freeze throughout the budget period has been approved and further cutbacks on operating expenditures are being considered. Concessions from various employee groups have been negotiated and approved to offset projected budget deficits. Additionally, careful execution of capital spending will be necessary to assure that we do not spend monies that may not materialize.

Housing Opportunities

According to the American Community Survey of the US Census, Benicia has just over 11,000 housing units within its jurisdiction. With a population of 28,086 persons, Benicia is the fifth largest of the seven cities in Solano County. As it has always done in the past, Benicia is in the process of updating its Housing Element to cover the period between 2007-2014. Housing Element updates are required by the State Department of Housing and Community Development, which sets forth a process by which every region plans for future population growth to ensure that enough housing is available within each city. For Benicia, this means planning for an additional 532 new units through the year 2014. Units that have been built since January 1, 2007 count toward meeting the need. From January 1, 2007 through November 30, 2010, a total of 134 new homes were built within the city. Accordingly, the city needs to show that there is enough residentially zoned land that could accommodate 398 units. Currently, the City's Draft Housing Element shows all vacant and under-utilized land, and is under review by the State. The city expects to adopt the new Housing Element by Spring 2010.

Parks, Open Space, Library, Historical Preservation and Tourism, and Transportation

The City is extremely proud of its award winning, 50-acre community park and 570-acre open space area in the northern part of the City. The City is currently under construction on the tenant improvements to the Benicia Community Center. Initially the project was going to consist of phasing, unless additional funds could be secured for the entire project. Fortunately, this occurred in March of 2010 when the City, the Good Neighbor Steering Committee, and Valero Refining Company, as part of an amendment to the 2008 Valero Improvement Plan (VIP) Agreement, approved additional funding for the construction of the project.

The new community center will consist of approximately 33,000 square feet and will accommodate after school programs, pre-school programs, teen activities, art programs, senior programs, community meeting space, girl and boy scouts, vocational programs and much more.

The City's $6 million public library facility, opened in 1993, provides patrons with the utmost in modern technology available, including electronic access to the collection of other county and community college libraries. Users are able to borrow audiotapes of books, videotapes of movie classics and music compact discs in addition to having access to 106,965-volume collection of books. The library offers a number of special programs for children, teens and seniors. To further expand library services, the remodeling of the library basement is in progress with the design phase completed.

The City of Benicia has a rich historical background as one of the nation's foremost military compounds, multi-faceted seaports and site of the California State Capital in 1854. There are many wonderful buildings from these bygone eras that are full of cherished artifacts and architectural splendor. The City of Benicia has recognized the importance of maintaining these significant historical assets and has empowered both citizen committees and staff to protect these valuable treasures for residents, visitors and future generations.

The City's transit system "Benicia Breeze" was restructured on October 6, 2008, when Route 75 was taken over by the City of Vallejo Transit (Vallejo Transit) as the new Route 78. Benicia Breeze restructured routes, serviced by Vallejo Transit, to accommodate Route 78 that serves Vallejo, Benicia and the Pleasant Hill and Walnut Creek BART Stations. The new service in Benicia entails two flex-routes that operate in the morning and evening peak commute hours; dial-a-ride service open to all riders during non-peak commute hours; supplemental service to Benicia schools on two routes; various shuttle services to Kaiser/Sutter Hospitals; the Sun Valley Mall; Diablo Valley College in Contra Costa County; as well as ADA Para-transit Plus service. Benicia Breeze continues to maintain a taxi scrip program as well as looking to expand its services to qualified passengers. Benicia Breeze uses a fleet of two transit buses and six cutaway buses, all of which are accessible to bicycles and mobility devices. Benicia Breeze averages about 314 passengers per weekday and carries approximately 6,742 passengers per month. Recently, the City Councils for both Vallejo and Benicia have agreed upon a Joint Powers Authority agreement that will consolidate the two transit agencies. This consolidation is expected to take place on July 1, 2011.

Growth Pays Its Own Way

Benicia's fees and taxes on new development are designed to ensure that growth pays its own way, while simultaneously ensuring that the City is not priced out of the development market. The total amount of fees paid for a "typical" new 2,758 square-foot single-family residence is approximately $35,000. The fees vary based on square footage and pay for needed public facilities, such as streets, water and wastewater facilities, parks, library books and public safety needs.

Intergovernmental Cooperation

The City of Benicia works closely with the Benicia Unified School District (BUSD) in numerous ways, including:

- Providing two school resource officers at no cost to the school district
- Funding the school district's crossing guard program

- Funding for various counseling services for at-risk students and student reading programs
- High school baseball use of Fitzgerald Field
- Library assistance to schools ordinarily provided by credentialed school librarians
- Safety improvements, including the installation of a flashing crosswalk for Benicia High School and planning for a future traffic signal
- Maintenance of playing fields and turf areas at three school sites

Benicia and its neighboring city, Vallejo, continue to work together to protect open space adjacent to the Benicia Community Park, which borders both cities. Benicia and Vallejo also cooperate in other matters of mutual interest. For example, the two cities, along with Fairfield, cooperated in the acquisition and maintenance in perpetuity of large tracts of open space located between each of the cities. The cities also cooperate in the management, storage and purchase of water.

Citizen Involvement

Periodically, the City engages the public in key discussions on various citywide projects. Over the past five years, the City has solicited public input on a wide range of projects. In August of 2006, the City held a two-day workshop for gathering public input on a new Downtown Mixed Use Master Plan and the Lower Arsenal Mixed Use Specific Plan. This public outreach program brought out many folks in the community that normally would not participate in such events, thus making the end product all the more successful.

In October 2008, city staff conducted a two-day Housing Expo that was designed to solicit public participation regarding an update of the City's Housing Element. This successful event serves as a basis for a draft Housing Element that will provide a blueprint for where future housing will be built in Benicia during the next 5 to 7 year period. More recently, the City directly solicited input from citizens to prepare a Historic Context Statement that will help provide a comprehensive background on Benicia's important historic resources. Also last year, key staff engaged the public in discourse about two key sites for the new Intermodal Transit Stops within the City. Since 2009, the City has been organizing successful, well attended Earth Day festivals where community members come together and learn about City programs and participate in educational activities that help foster increased awareness about environmental stewardship.

In June 2010, the City conducted a Prioritization Process via an online survey and a community workshop entitled "Build Your Own City". The process was designed to be strategic in nature and one that would focus on achieving long-term cost savings as opposed to "quick-fix" or one-time cost savings. Both the survey and workshops asked participants to prioritize City programs and services, with the premise that in these challenging fiscal times, public agencies are needing to "reset" and ensure that program and service offerings are sustainable relative to revenues and focused on the priorities of the community. A second workshop followed in July 2010 to solicit feedback from the community regarding how to balance the City's budget. "Brown bag" meetings with City employees also occurred in August 2010 to solicit suggestions on balancing the budget.

In summary, the City manages its ongoing operations and capital improvement programs in an efficient, business-like manner, with a focus on an entrepreneurial approach to problem solving and citizen involvement. Involving our citizens in shaping Benicia's future, preserving Benicia's charm and planning for its orderly progress into the twenty-first century, is of paramount importance.

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing and maintaining an internal control structure designed to ensure government assets are protected from loss, theft or misuse and ensure adequate accounting data are compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

The City maintains budgetary controls. The objective of these budget controls is to ensure compliance with the City Council approved, annual appropriated budget. Activities of the General Fund and Special Revenue Funds, if required, are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Improvement Projects Funds. Budgetary control is maintained at the fund level for administrative and operating expenditures, while capital improvements are maintained at the project budget total. Department directors have control of their own department budgets and if transfers between departments are needed, the City Manager has the authority to approve them. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Governmental and Business-Type Activities and Net Assets

For detailed information and analysis of the governmental and business-type activities and net assets, please see Management's Discussion and Analysis.

General Fund Reserves

The City has adopted a fund balance reserve policy establishing a minimum fund balance equal to 20% of the fund's annual operating expenditures budget for the purpose of stabilizing the delivery of City services during periods of operational budget deficits. At a minimum, the reserves include the following: Economic Uncertainty of 5%, Liability Exposures Reserve of 5%, Emergency Reserves of 10%. At the end of this fiscal year, the General Fund had accumulated a 21% undesignated fund balance but, after adjusting for the $1,380,738 advance from the Wastewater Fund to repay the Valero Property Tax Loan, the reported ledger balance for the purposes of this report is 17%. The difference lies in the Governmental Accounting Standards Board (GASB) requirement that all internal fund advances be reported at their gross amount, even though the amortization period may be several years into the future. In this case, the remaining amortization period for the Valero loan served as the basis for the Wastewater Fund advance, which is six years. For budgeting purposes, the Undesignated Fund Balance will be reported as 21%.

Gann Limit vs. Appropriations Subject to Limit

Proposition 4, the "Gann Initiative," was passed by California voters in 1978 and is intended to limit government appropriations. The appropriations limit is calculated each year based upon fiscal year 1978-79 appropriations, which are modified by the composite consumer price index and population changes that have occurred in subsequent years. The City's appropriations limit and the estimated appropriations subject to the limit for the fiscal year 2009-10 amounted to $70,807,101 and $41,965,881 respectively. City appropriations subject to the limit have consistently remained far below the appropriation limits and are not expected to deviate from this trend in the foreseeable future.

Cash Management

The City's cash and investments are managed on a pooled basis. The average investment portfolio was $42,857,379. The average yield on investment in 2009-10 was 2.81%, average maturity at year-end was approximately a year and three quarters, and total interest earned was $913,005. Investments consisted primarily of money market funds, U.S. government securities and Local Agency Investment Fund (LAIF) deposits managed by the Treasurer of the State of California. These investments are allowed under an investment policy adopted by the City Council that defines eligible investments and maturities of the City's investment portfolio and requires securities be held by the City or by a qualified safekeeping institution and be registered in the City's name.

Debt Administration

The City has utilized bond financing for many public improvement projects in the past. The City's reputation and creditworthiness has been enhanced by its reliance on the same bond counsel and underwriter for nearly all bond issues brought to market over the past nineteen years. These consultants are intimately familiar with City activities and policies and are an invaluable asset in marketing the City to investors.

Additional information on the City's long-term debt can be found in Note 7 to the Basic Financial Statements.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Benicia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

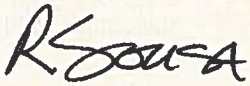
A Certificate of Achievement is valid for a period of one year. The Finance Department Staff believes this report conforms to the Certificate of Achievement Program requirements and will submit the report to the GFOA to determine its eligibility. The City of Benicia has received this award for the past 18 years and it is our goal to be awarded this Certificate once again. The award demonstrates the City's conformance to the highest level of financial reporting standards, which will likely have a positive influence on the City's financial rating. This will ensure cost savings in the future when the City of Benicia seeks financing for public improvements.

Acknowledgements

This report is dedicated to the memory of Teddie Bidou, City Treasurer who passed away in September 2010. Teddie was a valuable member of the community, as a former City employee and a member of the Finance Committee.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my special appreciation to Assistant Finance Director Abigail M. Urrutia and Accounting Systems Supervisor Alyson Kauzer. I would also like to thank the Mayor, City Council Members and the City Manager for their support in planning and conducting City financial affairs in a responsible and efficient manner.

Respectfully submitted,



Robert Sousa
Finance Director

MUNICIPAL OFFICERS
As of June 30, 2010

CITY COUNCIL (Elected)

Elizabeth Patterson, Mayor	November 2011
Tom Campbell, Councilmember	November 2011
Mark Hughes, Councilmember	November 2013
Mike Ioakimedes, Councilmember	November 2011
Alan Schwartzman, Vice Mayor	November 2013

OTHER (Elected)

Lisa Wolfe, City Clerk	November 2011
Teddie Bidou, City Treasurer	November 2011

PLANNING COMMISSION (Appointed)

Rick Ernst	September 2011
Brad Thomas	September 2011
Rod Sherry	September 2011
Daniel Healy	September 2010
Richard Bortolazzo	September 2010
Donald Dean	January 2013
Lee Syracuse	January 2013

PARKS, RECREATION AND CEMETARY COMMISSION (Appointed)

Sandy Moriaty	July 2013
John McGuire	July 2014
Rufus Bunch	January 2011
Kim Funk	January 2014
Nancy Cockerham	January 2011
Ken Paulk	July 2013
Ernie Gutierrez	January 2011
Sanil Budhdev	September 2010

APPOINTED OFFICIALS

Jim Erickson	City Manager
Heather McLaughlin	City Attorney

DEPARTMENT HEADS

Robert Sousa	Finance
Sandra Spagnoli	Police
Steve Vucurevich	Fire
Michael Alvarez	Parks and Community Services
Anne Cardwell	Administrative Services
Diane Smikahl	Library
Charles Knox	Public Works & Community Development

CITY OF BENICIA

MISSION STATEMENT

To serve and enhance our community with care, commitment and pride.

VISION STATEMENT

Building a great community together by preserving and strengthening:

- Our small town character
- A vibrant economy
- Our history
- A safe and healthy environment

CITY OF BENICIA

ORGANIZATIONAL CHART

JUNE 30, 2010

CITIZENS OF BENICIA

CITY COUNCIL

Elizabeth Patterson, Mayor

Alan Schwartzman, Vice Mayor

Tom Campbell

Mark Hughes

Mike Ioakimedes

CITY CLERK

Lisa Wolfe

CITY TREASURER

Teddie Bidou

CITY MANAGER

Jim Erickson

CITY ATTORNEY

Heather McLaughlin

POLICE CHIEF
Sandra Spagnoli

FIRE CHIEF
Steve Vucurevich

FINANCE DIRECTOR
Robert Sousa

PARKS & COMMUNITY SERVICES DIRECTOR
Mike Alvarez

ADMIN SERVICES DIRECTOR
Anne Cardwell

LIBRARY DIRECTOR
Diane Smikahl

PUBLIC WORKS & COMMUNITY DEVELOPMENT DIRECTOR
Charles Knox

Location Map

City of Benicia

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Benicia California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

THE CITY OF
BENICIA
CALIFORNIA

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www.mhm-pc.com

City Council
City of Benicia, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Benicia, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Benicia. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Benicia for the year ended June 30, 2009 and, in the prior auditors' report dated December 9, 2009, an unqualified opinion was expressed on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Benicia, California as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Benicia, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Benicia's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2010 on our consideration of the City of Benicia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

San Jose, California
December 7, 2010

This management's discussion and analysis provides readers an overview and analysis of financial activities of the City of Benicia (City) for the fiscal year ended June 30, 2010. Please read this discussion and analysis in conjunction with the accompanying Transmittal Letter, the Basic Financial Statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $222.8 million. Of this amount, $42.1 million may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net assets decreased by $2.0 million due to decrease in program and general revenues recognized by the City.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12.8 million, a decrease of $2.0 million in comparison with the prior year. Approximately 34.7% of this total, $4.4 million is available for spending at the City's discretion.

- At the end of the current fiscal year, the General Fund fund balance designations are as follows: $.5 million for Economic Uncertainty, $1.5 million for Exposures Reserve and $3.1 million for Emergency Reserve.

- The City's total debt decreased by $4.2 million as a net result of debt maturities during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consists of three parts: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Government-wide Financial Statements provide readers with a broad view of the City's finances, in a manner similar to a private-sector business, using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which liability is incurred.

The Statement of Net Assets reports information about the City as a whole. This statement includes all assets (including infrastructure) as well as all liabilities (including long-term debt) of the City. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In these statements City activities are reported into two categories:

- **Governmental Activities -** Most of the City's basic services are reported in this category, including administration, community development, police, fire, parks and community services, public works, library services, and economic development. Property, sales and utility taxes, user

fees, interest income, franchise fees, and state and federal grants are among the revenues that finance these activities.

- **Business-Type Activities -** The City charges a fee to customers to pay for the cost of certain services provided. The City's wastewater, water, marina, and transit operations are reported in this category.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or by bond covenants. However, the City establishes many other funds to help control and manage money for a particular purpose or to show that the City is meeting legal responsibilities for using certain taxes, grants, or other funds restricted in its use. Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole.

All of the funds of the City can be divided into three categories:

- **Governmental Funds -** Most of the City's basic services are reported in governmental funds, using the current financial resources measurement focus and modified accrual accounting method, where revenues are recognized when measurable and available. Governmental funds are used to account for essentially the same functions reported as "governmental activities" in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Funds Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining the City's ability to finance its programs in the near future.

  To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Fund Statements with the governmental activities in the Government-wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

- **Proprietary Funds -** When the City charges customers for services, either to outside customers or to other City departments, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way in which all activities are reported in the Government-wide Financial Statements, using the accrual basis of accounting. The City's enterprise funds are the same as the "business-type activities" reported in the government-wide financial statements, but provide more detail and additional information, such as cash flows for each enterprise fund. The City uses internal service funds to report activities that provide supplies and services to the City's other programs and activities, such as insurance, general services, building and equipment management and the retirement stability funds. Internal service funds are reported with "governmental activities" in the Government-wide Financial Statements since services provided predominantly benefit governmental rather than business-type functions.

- **Fiduciary Funds -** The City is the trustee, or fiduciary, for certain funds held on behalf of third parties. The City's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets. These activities are excluded from the City's Government-wide Financial Statements

because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that assets reported in these funds are used for their specified purposes.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in both the Government-wide Financial Statements and Fund Financial Statements. The notes to the financial statements can be found on pages 39-74 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Assets for the year ended June 30, 2010 are summarized below.

Summary of Net Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 36.2	$ 38.1	$ 29.8	$ 31.1	$ 66.0	$ 69.2
Capital assets	123.9	122.6	107.3	111.2	231.2	233.8
Total Assets	160.1	160.7	137.1	142.3	297.2	303.0
Long-term liabilities outstanding	23.3	24.4	44.8	47.8	68.1	72.2
Other liabilities	4.7	4.4	1.6	1.6	6.3	6.0
Total Liabilities	28.0	28.8	46.4	49.4	74.4	78.2
Net Assets:						
Invested in capital assets, net of related debt	115.4	113.2	62.8	63.6	178.2	176.8
Restricted	2.5	3.2	-	-	2.5	3.2
Unrestricted	14.2	15.5	27.9	29.2	42.1	44.7
Total Net Assets	$ 132.1	$ 131.9	$ 90.7	$ 92.8	$ 222.8	$ 224.7

The largest portion of the City's net assets (80.0%) reflects its investments in capital assets, less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens and are not available for future spending.

Restricted net assets represent 1.1% of the total net assets and are subject to external restrictions. The decrease of $.7 million in restricted net assets was due to completion of capital projects. These monies will be available for future spending but only for specific projects within the City and for debt payments. The balance of unrestricted net assets, which represents 18.9% of the total assets, may be used to meet the City's ongoing obligations to citizens and creditors.

A Statement of Activities and Changes in Net Assets, as of June 30, 2010, is presented below.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for services	$ 3.8	$ 3.9	$ 13.5	$ 14.1	$ 17.3	$ 18.0
Operating grants and contributions	2.7	2.9	0.8	0.6	3.5	3.5
Capital grants and contributions	0.9	-	-	2.0	0.9	2.0
General Revenues:						-
Property taxes	13.3	13.8	-	-	13.3	13.8
Sales taxes	7.2	7.7	-	-	7.2	7.7
Utility users' tax	4.9	4.4	-	-	4.9	4.4
Franchise	1.3	1.8	-	-	1.3	1.8
Other taxes	1.2	0.7	-	-	1.2	0.7
Motor vehicle license fees	1.9	2.1	-	-	1.9	2.1
Investment earnings	0.4	0.9	0.4	1.2	0.8	2.1
Total Revenues	37.6	38.2	14.7	17.9	52.3	56.1
Expenses:						
Administration	3.4	3.1		-	3.4	3.1
Public Safety - Police	8.9	9.2		-	8.9	9.2
Public Safety - Fire	6.7	7.2		-	6.7	7.2
Parks and Community Services	5.9	6.0		-	5.9	6.0
Public Works & Comm Dev	6.0	6.0		-	6.0	6.0
Library	2.1	2.4		-	2.1	2.4
Economic Development	0.5	0.5		-	0.5	0.5
General Government	2.3	4.3		-	2.3	4.3
Interest on long-term debt	1.7	0.5		-	1.7	0.5
Wastewater		-	7.4	7.3	7.4	7.3
Water		-	7.8	7.3	7.8	7.3
Benicia Marina		-	0.5	0.6	0.5	0.6
Transit		-	1.1	1.4	1.1	1.4
Total Expenses	37.5	39.2	16.8	16.6	54.3	55.8
Increase in net assets before transfers	0.1	(1.0)	(2.1)	1.3	(2.0)	0.3
Transfers	-	-	-	-	-	-
Increase in net assets	0.1	(1.0)	(2.1)	1.3	(2.0)	0.3
Net assets - 7/1/09	131.9	132.9	92.9	91.6	224.8	224.5
Net assets - 6/30/10	$ 132.0	$ 131.9	$ 90.8	$ 92.9	$ 222.8	$ 224.8

Governmental Activities

Total resources available during the year to finance governmental operations were $169.5 million consisting of Net Assets at July 1, 2009, of $131.9 million, program revenues of $7.4 million and general revenues of $30.2 million.

The cost of all governmental activities this year was $37.5 million. The largest governmental programs include Public Safety - both Police and Fire, and Public Works and Community Development. The amount that was paid by those who directly benefited from governmental programs was $3.8 million, while operating and capital grants and contributions paid for $3.6 million of total costs. The City paid for the remaining "public benefit" portion of governmental activities with taxes and investment earnings.

The following table shows the Net Cost of Governmental Activities, which totaled $30.2 million.

Net Cost of Governmental Activities

	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Administration	$ 3,404,371	$ 16,863	$ (3,387,508)
Public Safety - Police	8,898,817	616,359	(8,282,458)
Public Safety - Fire	6,744,682	295,559	(6,449,123)
Parks and Community Services	5,867,659	1,757,119	(4,110,540)
Public Works and Comm Dev	6,017,134	2,728,624	(3,288,510)
Library	2,117,872	284,418	(1,833,454)
Economic Development	485,052	52	(485,000)
General Government	2,339,200	1,724,052	(615,148)
Interest expense	1,658,589	-	(1,658,589)
Total	$ 37,533,376	$ 7,423,046	$ (30,110,330)

Business-type Activities

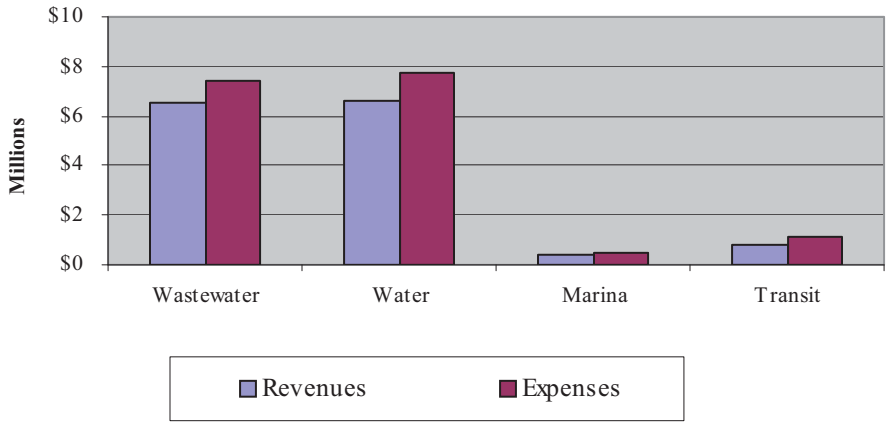
Total resources available during the year to finance Business-Type Activities were $107.6 million consisting of Net Assets at July 1, 2009, of $92.9 million, program revenues of $14.3 million and general revenues of $.4 million.

The cost of all Business-Type activities this year was $16.8 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems were $13.5 million, while operating and capital grants and contributions were $.8 million.

Net Cost of Business-Type Activities

	Expenses	Program Revenues	Net Revenue (Expense) of Activities
Wastewater	$ 7,422,265	$ 6,522,329	$ (899,936)
Water	7,780,492	6,610,587	(1,169,905)
Benicia Marina	479,098	382,767	(96,331)
Transit	1,165,705	829,868	(335,837)
Total	$ 16,847,560	$ 14,345,551	$ (2,502,009)

The following chart illustrates the comparison of operating revenues and expenses by business-type activity:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

In addition to the accrual-basis government-wide statements described above, the City maintains financial records at the fund level for compliance with finance-related legal requirements and for budgetary control. The Fund Financial Statements focus on individual funds of the City, reporting operations in more detail than the Government-wide Financial Statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2010, of $12.8 million, a decrease of $2.0 million in comparison with the prior year, due to a significant decrease in revenues as a result of the slow economic recovery as experienced statewide and nationwide.

General Fund - The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total funding requirements. At the end of the fiscal year, total fund balance of the General Fund was $5.9 million. The City's unreserved designated fund balance consisted of the following: $.5 million for Economic Uncertainty, $1.5 million for Exposures Reserve and $3.1 million for Emergency Reserve. Total fund balance represents 19.5% of total general fund expenditures.

The General Fund realized general tax and other revenues of $30.9 million during the year to pay for $30.5 million operating expenditures, realizing an excess of revenues over expenditures of $.4 million. Cost cutting measures, such as freezing open positions and delaying major expenditures, were implemented to avoid having a deficiency for the year.

The General Fund continues to have healthy reserves for future emergencies.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail.

Wastewater Fund – The City's wastewater utility fund collected $6.5 million in user fees to maintain the system. The fund has $63.6 million in capital assets, net of accumulated depreciation, financed with $22.4 million of long-term debt. The fund made debt service payments of $2.3 million during the year. Net assets decreased by $.7 million due to lower charges for services and interest income earned for the year.

Water Fund – The City's water utility fund collected $6.6 million in user fees to sustain the system. The system has $40.0 million in capital assets, net of accumulated depreciation, financed with $15.5 million of long-term debt. The fund made $1.7 million in debt service payments for the year. Net assets decreased by $1.0 million due to lower charges for services and interest income earned for the year.

Benicia Marina – The City's Marina collected $.3 million in user fees to support its operating and debt service costs. The Marina has $3.3 million in capital assets, net of accumulated depreciation, financed with $3.7 million of long-term debt. Debt service payments for the year were $.3 million. The fund continues to have deficit net assets. The City continues to evaluate options for a long-term operating solution.

Transit – The City's Transit system operates bus, para-transit, taxi service for the citizens of Benicia. The City collected user fees of $.08 million, which was supplemented by an additional $.7 million in federal, state and local grants to support operations. The fund has $0.5 million in capital assets, net of accumulated depreciation, financed by intergovernmental revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council may revise the City budget on more than one occasion. The Approved Budget is adopted by the City Council prior to the July 1 start of the fiscal year ("Original Budget"). The City Council may add appropriations or change revenue estimates during the course of the fiscal year, primarily at midyear budget review. Finally, the revenue and expenditure estimates for the current fiscal year are revised as part of the Approved Budget ("Final Budget").

Fiscal year 2009-10 was the first year of a two-year budget. The original budget for 2009-10 was developed in early 2009. The original budget for the General Fund revenues was $32.5 million, while expenditures were at $31.4 million. The final budget estimates for revenues was $31.0 million, a decrease of $1.5 million, and $31.1 million for expenditures, a decrease of $.2 million. The main components of the decreases are as follows:

- $.9 million reduction in property taxes due to lower assessed valuation for secured and unsecured properties
- $.2 million decrease in sales and use tax as a result of a slow economic turnaround
- $.5 million reduction in other taxes due to a slow economic recovery
- $1.6 million in salary and benefit reductions for all departments as a result of freezing open positions, about 9% of the workforce
- $.7 million decrease in transfers out for projects
- $.3 million increase in anticipation of higher capital outlays

During the year, revenues fell short of the anticipated budget by $.2 million. The largest revenue variance was the investment earnings. Due to market conditions, with the economy recovering very slowly, interest rates were at an all time low generating lower than expected earnings. Actual expenditures were $.7 million less than the final budget due to cutbacks on operating expenditures, the hiring freeze throughout the City and delays in projects.

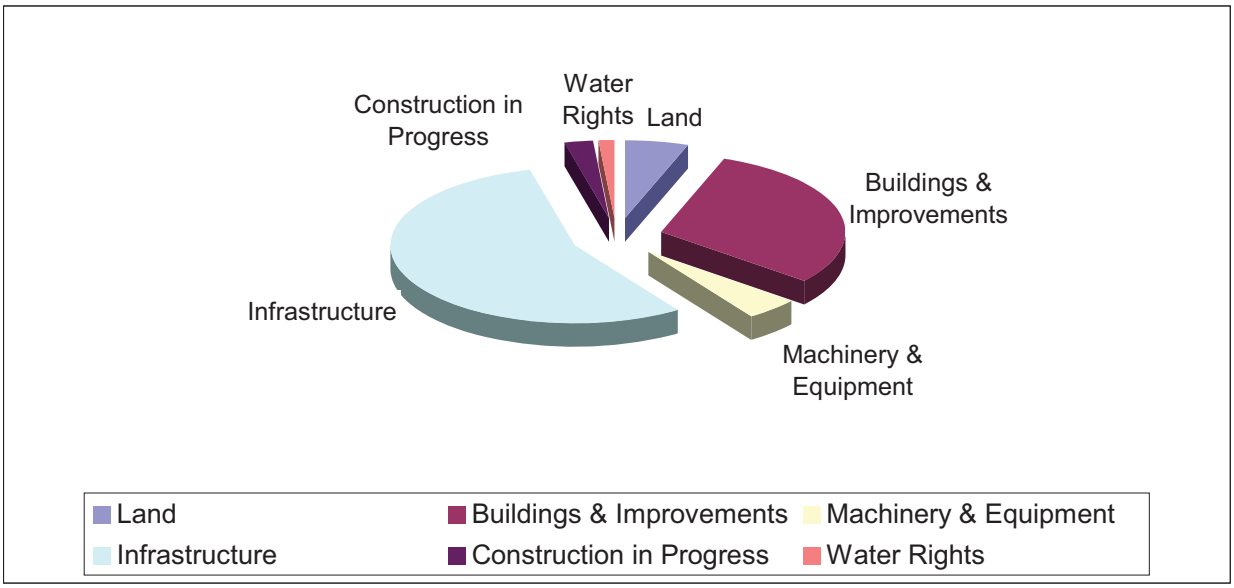
CAPITAL ASSETS

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. This investment in capital assets includes land and easements, infrastructure, buildings and improvements, equipment and construction in progress. At June 30, 2010, net capital assets of the governmental activities totaled $123.9 million and the net capital assets of the business-type activities totaled $107.3 million. Depreciation on capital assets is recognized in the Government-wide Financial Statements.

The following table provides a breakdown of the City's capital assets at June 30, 2010:

Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 18.0	$ 18.0	$ 2.6	$ 2.6	$ 20.6	$ 20.6
Buildings & Improvements	21.9	21.4	90.6	90.6	112.5	112.0
Machinery & Equipment	8.4	8.1	9.8	9.8	18.2	17.9
Infrastructure	133.3	132.2	72.7	72.0	206.0	204.2
Construction in Progress	7.4	5.0	2.3	2.6	9.7	7.6
Water Rights	-	-	5.0	5.0	5.0	5.0
Total Capital Assets	189.0	184.7	183.0	182.6	372.0	367.3
Accumulated Depreciation	(65.1)	(62.1)	(75.7)	(71.4)	(140.8)	(133.5)
Net Assets	$ 123.9	$ 122.6	$ 107.3	$ 111.2	$ 231.2	$ 233.8



This year's major capital asset additions were machinery and equipment – dispatch consoles and radio interface, hybrid cars; and infrastructure – street lights.

Additional information on the City's capital assets can be found in Note 5 on pages 55-57 of this report.

DEBT ADMINISTRATION

The City uses a variety of indebtedness to finance various capital acquisitions. At June 30, 2010, the City's long-term debt outstanding was $68.1 million. Of this total, $23.3 million was in governmental activities and $44.8 was in business-type activities. The City's governmental activities decreased by $1.2 million, and business-type activities decreased by $3.0 million as a result of debt maturities during the year.

The percentage of net bonded debt to taxable property valuation, and the amount of bonded debt per capita are useful indicators of the City's debt position. Per capita debt outstanding decreased by $161 per capita from $2,526 to $2,365 from the previous fiscal year.

The following is a summary of the City's long-term debt obligations at June 30, 2010:

Long-term Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	$ 5.6	$ 6.1	$ -	$ -	$ 5.6	$ 6.1
Pension Obligation Bonds	13.3	13.7	-	-	13.3	13.7
Capital Lease	2.9	3.3	-	-	2.9	3.3
Utility Revenue Bonds	-	-	9.5	10.5	9.5	10.5
Loans Payable	-	-	35.0	37.1	35.0	37.1
Total Indebtedness	$ 21.8	$ 23.1	$ 44.5	$ 47.6	$ 66.3	$ 70.7

Additional information on the City's long-term debt can be found in Note 6 on pages 58-64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City prepares biennial budget, which focuses on long-term financial viability and allows decision-makers to better understand the on-going impact of current policy decisions. Through the budget, the Council sets the direction of the City, allocates its resources and establishes its priorities. Due to current economic climate, maintenance of the hiring freeze throughout the budget period and further cutbacks on operating expenditures have been implemented in developing the budget for fiscal year 2010-11. Furthermore, careful execution of capital spending will be necessary to assure that we do not spend money that may not materialize.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Finance Department at 250 East "L" Street, Benicia, CA 94510, phone (707) 746-4225.

CITY OF BENICIA

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES

THE CITY OF
BENICIA
CALIFORNIA

CITY OF BENICIA
Statement of Net Assets
June 30, 2010
(with comparative information for the prior year)

	Governmental Activities	Business-Type Activities	Totals 2010	Totals 2009
Assets:				
Cash and investments (Note 2)	$ 17,543,673	24,889,068	42,432,741	45,522,058
Cash and investments with fiscal agent (Note 2)	98	-	98	-
Receivables:				
Accounts	3,407,386	2,390,205	5,797,591	4,463,697
Interest	6,668	7,905	14,573	48,472
Lease	-	444,755	444,755	460,364
Notes and loans (Note 4)	3,180,638	930,968	4,111,606	5,206,677
Inventory	13,862	331,790	345,652	282,764
Prepaid items	63,446	75,000	138,446	157,951
Deferred charges	-	388,256	388,256	455,624
Interfund balances	(314,478)	314,478	-	-
Prepaid PERS contribution (Note 6)	12,249,036	-	12,249,036	12,601,889
Capital assets, not depreciated (Note 5)	25,398,505	4,943,593	30,342,098	28,152,509
Capital assets, depreciated, net (Note 5)	98,522,867	102,403,840	200,926,707	205,666,044
Total assets	160,071,701	137,119,858	297,191,559	303,018,049
Liabilities:				
Accounts payable and accrued expenses	3,525,419	749,154	4,274,573	3,995,922
Interest payable	165,821	390,522	556,343	590,731
Deposits payable	1,221	101,441	102,662	101,133
Claims and judgments payable (Note 12)	477,940	-	477,940	651,912
Unearned revenue	-	335,787	335,787	365,028
Other postemployment benefits (Note 11)	601,482	-	601,482	297,978
Noncurrent liabilities (Note 6):				
Due within one year	2,904,899	3,383,643	6,288,542	6,053,163
Due in more than one year	20,355,937	41,407,055	61,762,992	66,181,754
Total liabilities	28,032,719	46,367,602	74,400,321	78,237,621
Net Assets:				
Invested in capital assets, net of related debt	115,359,499	62,819,454	178,178,953	176,888,592
Restricted for:				
Capital projects	602,435	-	602,435	2,201,796
Special revenue projects	1,905,367	-	1,905,367	993,543
Unrestricted	14,171,681	27,932,802	42,104,483	44,696,497
Total net assets	$ 132,038,982	90,752,256	222,791,238	224,780,428

See accompanying notes to basic financial statements.

CITY OF BENICIA
Statement of Activities
Fiscal year ended June 30, 2010
(with comparative information for the prior year)

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental activities:				
Administration	$ 3,404,371	16,863	-	-
Public safety - police	8,898,817	202,345	373,782	40,232
Public safety - fire	6,744,682	171,946	123,613	-
Parks and community services	5,867,659	1,707,119	50,000	-
Public works and community development	6,017,134	1,123,401	777,184	828,039
Library	2,117,872	158,938	125,480	-
Economic development	485,052	52	-	-
General government	2,339,200	422,926	1,301,126	-
Interest expense	1,658,589	-	-	-
Total governmental activities	37,533,376	3,803,590	2,751,185	868,271
Business-type activities:				
Wastewater	7,422,265	6,522,329	-	-
Water	7,780,492	6,610,587	-	-
Benicia Marina	479,098	318,767	64,000	-
Transit	1,165,705	84,520	745,348	-
Total business-type activities	16,847,560	13,536,203	809,348	-
Total	$ 54,380,936	17,339,793	3,560,533	868,271

General revenues:
Taxes:
Property
Sales and use
Utilities users' tax
Franchise
Other
Motor vehicle in lieu, unrestricted
Investment income
Gain from disposal of capital assets
Transfers, net

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals 2010	Totals 2009
(3,387,508)	-	(3,387,508)	(3,072,429)
(8,282,458)	-	(8,282,458)	(8,553,010)
(6,449,123)	-	(6,449,123)	(6,698,864)
(4,110,540)	-	(4,110,540)	(3,460,515)
(3,288,510)	-	(3,288,510)	(3,657,685)
(1,833,454)	-	(1,833,454)	(2,089,335)
(485,000)	-	(485,000)	(536,094)
(615,148)	-	(615,148)	(3,835,294)
(1,658,589)	-	(1,658,589)	(525,341)
(30,110,330)	-	(30,110,330)	(32,428,567)
-	(899,936)	(899,936)	(397,552)
-	(1,169,905)	(1,169,905)	1,427,033
-	(96,331)	(96,331)	(207,829)
-	(335,837)	(335,837)	(681,114)
-	(2,502,009)	(2,502,009)	140,538
(30,110,330)	(2,502,009)	(32,612,339)	(32,288,029)
13,266,103	-	13,266,103	13,812,912
7,196,964	-	7,196,964	7,688,775
4,938,585	-	4,938,585	4,413,428
1,292,872	-	1,292,872	1,851,511
1,189,561	-	1,189,561	747,468
1,951,715	-	1,951,715	2,059,561
358,210	429,139	787,349	2,002,525
-	-	-	5,598
30,415	(30,415)	-	-
30,224,425	398,724	30,623,149	32,581,778
114,095	(2,103,285)	(1,989,190)	293,749
131,924,887	92,855,541	224,780,428	224,486,679
$ 132,038,982	90,752,256	222,791,238	224,780,428

See accompanying notes to basic financial statements.

THE CITY OF
BENICIA
CALIFORNIA

Fund Financial Statements

The fund described below was determined to be a Major Fund by the City in fiscal year 2010. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General fund is used for all of the general revenues of the City not specifically levied or collected for other City funds and the related expenditures.

CITY OF BENICIA
Governmental Funds
Balance Sheet
June 30, 2010
(with comparative information for the prior year)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
Assets				
Cash and investments	$ 6,136,155	8,225,838	14,361,993	16,662,746
Receivables:				
Accounts	1,168,458	2,238,928	3,407,386	2,602,404
Interest	3,003	2,712	5,715	22,892
Notes and loans	1,114,375	2,066,263	3,180,638	3,317,090
Due from other funds (Note 3)	1,030,694	890,589	1,921,283	1,542,401
Prepaid items	44,136	-	44,136	53,479
Advances to other funds (Note 3)	320,666	-	320,666	364,164
Total assets	$ 9,817,487	13,424,330	23,241,817	24,565,176
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 1,263,207	1,317,760	2,580,967	2,133,009
Accrued payroll	112,630	655,357	767,987	1,016,482
Deposits payable	1,221	-	1,221	1,192
Due to other funds (Note 3)	-	1,162,152	1,162,152	858,909
Deferred revenue	1,114,375	3,433,600	4,547,975	4,092,777
Advances from other funds (Note 3)	1,380,738	-	1,380,738	1,627,009
Total liabilities	3,872,171	6,568,869	10,441,040	9,729,378
Fund balances:				
Reserved:				
Encumbrances	196,069	1,171,741	1,367,810	736,136
Debt service	-	1,133,160	1,133,160	1,123,535
Prepaid items	44,136	-	44,136	53,479
Open space	-	110,000	110,000	110,000
Advances to other funds	320,666	-	320,666	364,164
Unreserved:				
Designated for:				
Future projects	186,755	-	186,755	45,574
Cable grant	27,422	-	27,422	35,489
Economic uncertainty	543,278	-	543,278	807,458
Exposures reserve	1,542,330	-	1,542,330	1,591,259
Emergency reserve	3,084,660	-	3,084,660	3,182,517
Undesignated, reported in:				
Special revenue	-	3,639,961	3,639,961	3,406,367
Capital projects	-	800,599	800,599	3,379,820
Total fund balances	5,945,316	6,855,461	12,800,777	14,835,798
Total liabilities and fund balances	$ 9,817,487	13,424,330	23,241,817	24,565,176

See accompanying notes to basic financial statements.

CITY OF BENICIA
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances of governmental funds	$ 12,800,777
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets have not been included as financial resources in governmental fund activity:	
Capital assets	172,861,020
Accumulated depreciation	(57,424,956)
Long term debt and compensated absences that have not been included in governmental fund activity:	
Bonds payable	(8,264,412)
Compensated absences	(1,425,470)
Claims payable	(30,213)
Other post employment benefits	(601,482)
Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.	(131,413)
Deferred revenue balances relating to certain receivables are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measurable and available criteria.	4,547,975
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	9,707,156
Net assets of governmental activities	$ 132,038,982

See accompanying notes to basic financial statements.

CITY OF BENICIA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal year ended June 30, 2010
(with comparative information for the prior year)

	General Fund	Non-major Governmental Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
Revenues:				
Property taxes	$ 12,468,070	798,033	13,266,103	13,812,912
Sales and use taxes	6,490,069	706,895	7,196,964	7,688,775
Utility users' taxes	4,938,585	-	4,938,585	4,413,428
Other taxes	2,067,433	-	2,067,433	2,598,979
Special assessments	-	427,664	427,664	565,996
License and permits	320,466	-	320,466	323,241
Fines and forfeitures	105,391	-	105,391	115,596
Investment income	288,571	180,858	469,429	875,469
Rents and leases	115,889	1,722	117,611	127,984
Intergovernmental	2,106,270	2,749,340	4,855,610	4,451,238
Charges for services	1,501,926	732,945	2,234,871	2,344,817
Donations	-	108,869	108,869	119,686
Miscellaneous revenues	462,116	1,080,497	1,542,613	373,155
Total revenues	30,864,786	6,786,823	37,651,609	37,811,276
Expenditures				
Current:				
Administration	3,088,784	276,773	3,365,557	2,975,571
Public safety - police	8,582,770	387,516	8,970,286	8,544,690
Public safety - fire	6,779,441	-	6,779,441	6,974,688
Parks and community services	4,877,017	605,336	5,482,353	5,672,170
Public works and community development	2,720,918	1,894,782	4,615,700	4,489,159
Library	1,216,908	917,681	2,134,589	2,322,259
Economic development	487,433	6,424	493,857	517,268
General government	2,394,908	23,995	2,418,903	4,187,891
Capital outlay	321,461	4,035,028	4,356,489	4,883,976
Debt service:				
Principal	-	770,542	770,542	734,049
Interest	13,729	415,599	429,328	451,063
Total expenditures	30,483,369	9,333,676	39,817,045	41,752,784
Excess (deficiency) of revenues over (under) expenditures	381,417	(2,546,853)	(2,165,436)	(3,941,508)
Other financing sources (uses):				
Transfers in (Note 3)	180,415	1,745,692	1,926,107	3,448,918
Transfers out (Note 3)	(906,500)	(889,192)	(1,795,692)	(3,428,503)
Total other financing sources (uses)	(726,085)	856,500	130,415	20,415
Net change in fund balances	(344,668)	(1,690,353)	(2,035,021)	(3,921,093)
Fund balances at beginning of year	6,289,984	8,545,814	14,835,798	18,756,891
Fund balances at end of year	$ 5,945,316	6,855,461	12,800,777	14,835,798

See accompanying notes to basic financial statements.

CITY OF BENICIA
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to Statement of Activities
Year ended June 30, 2010

Changes in fund balances of governmental funds	$ (2,035,021)
Amounts reported for governmental activities in the statement of activities are different because:	
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net assets decrease by the amount of depreciation expense charged for the year.	
Capital outlay	4,089,912
Depreciation expense	(2,380,228)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	770,542
Accrued interest expense related to the long-term liabilities. This amount is the difference between the amount of interest paid and the amount of interest incurred on long-term liabilities.	10,634
To record as an expense the net change in claims payable in the Statement of Activities.	71,529
To record as an expense the net change in other post employment benefits.	(303,504)
To record as an expense the net change in compensated absences in the Statement of Activities.	(43,373)
Revenues that are measurable but not available are recorded as deferred revenue under the modified accrual basis of accounting.	455,198
Internal service funds are used by management to charge the costs of certain activities, such as equipment management, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities.	(521,594)
Changes in net assets of governmental activities	$ 114,095

See accompanying notes to basic financial statements.

CITY OF BENICIA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Fiscal year ended June 30, 2010
(With comparative information for the prior year)

	Budget			Variance with Final Budget Positive	Prior Year
	Original	Final	Actual	(Negative)	Actual
Revenues:					
Property taxes	$ 13,485,515	12,589,820	12,468,070	(121,750)	13,053,648
Sales and use tax	6,577,840	6,412,780	6,490,069	77,289	6,958,722
Utility users' taxes	4,929,875	4,807,645	4,938,585	130,940	4,413,428
Other taxes	2,562,470	2,103,710	2,067,433	(36,277)	2,598,979
Licenses and permits	295,000	295,000	320,466	25,466	323,241
Fines and forfeitures	117,000	117,000	105,391	(11,609)	115,596
Investment income	524,540	524,540	288,571	(235,969)	588,099
Rents and leases	122,560	112,090	115,889	3,799	124,174
Intergovernmental	2,164,695	2,171,425	2,106,270	(65,155)	2,205,716
Charges for services	1,442,680	1,389,160	1,501,926	112,766	1,714,122
Donations	1,000	1,000	-	(1,000)	1,996
Miscellaneous revenues	316,190	490,965	462,116	(28,849)	296,167
Total revenues	32,539,365	31,015,135	30,864,786	(150,349)	32,393,888
Expenditures:					
Current:					
Administration	3,164,890	3,112,490	3,088,784	23,706	3,000,768
Public safety - police	8,409,810	8,563,175	8,582,770	(19,595)	8,228,318
Public safety - fire	7,050,050	6,963,500	6,779,441	184,059	6,974,688
Parks and community services	5,174,020	5,037,105	4,877,017	160,088	5,147,650
Public works and community development	3,063,600	2,787,245	2,720,918	66,327	3,301,506
Library	1,267,045	1,257,140	1,216,908	40,232	1,285,346
Economic development	604,410	586,425	487,433	98,992	485,904
General	2,337,035	2,223,890	2,394,908	(171,018)	4,187,891
Capital outlay	322,405	616,135	321,461	294,674	476,422
Debt service:					
Interest and fiscal charges	-	-	13,729	(13,729)	-
Total expenditures	31,393,265	31,147,105	30,483,369	663,736	33,088,493
Excess (deficiency) of revenue: over expenditures	1,146,100	(131,970)	381,417	513,387	(694,605)
Other financing sources (uses):					
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)	-
Transfers in	180,415	180,415	180,415	-	99,826
Transfers out	(1,631,735)	(960,960)	(906,500)	54,460	(2,822,795)
Total other financing sources (uses):	(1,441,320)	(770,545)	(726,085)	44,460	(2,722,969)
Net change in fund balance	(295,220)	(902,515)	(344,668)	557,847	(3,417,574)
Fund balance at beginning of year	6,289,984	6,289,984	6,289,984	-	9,707,558
Fund balance at end of year	$ 5,994,764	5,387,469	5,945,316	557,847	6,289,984

See accompanying notes to basic financial statements.

Major Proprietary Funds

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported all of its Enterprise Funds as major funds in fiscal 2010.

WASTEWATER
Accounts for the transport, treatment and disposal of wastewater for residents and businesses located within the City.

WATER
Accounts for the purchase, treatment and distribution of water to residents and businesses located within the City.

BENICIA MARINA
Accounts for the operation and management of the City Marina.

TRANSIT
Accounts for the operation and management of the City transit operations.

CITY OF BENICIA
Proprietary Funds
Statement of Net Assets
June 30, 20010
(with comparative information for the prior year)

	Business-Type Activities - Enterprise Funds					
					Total Business-Type Funds	
	Wastewater	Water	Marina	Transit	2010	2009
Assets:						
Current assets:						
Cash and investments	$ 11,635,838	13,252,897	-	333	24,889,068	25,477,883
Cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	1,072,241	1,001,575	264,020	52,369	2,390,205	2,819,912
Interest receivable	3,652	4,253	-	-	7,905	22,700
Inventory	30,893	300,897	-	-	331,790	267,594
Prepaid items	-	-	75,000	-	75,000	81,524
Total current assets	12,742,624	14,559,622	339,020	52,702	27,693,968	28,669,613
Non-current assets:						
Prepaid PERS contribution	-	-	-	-	-	-
Deferred charges	176,181	212,075	-	-	388,256	455,624
Loans receivable	507,438	423,530	-	-	930,968	930,968
Lease receivable	-	-	444,755	-	444,755	460,364
Advances to other funds (Note 3)	1,380,738	-	-	-	1,380,738	1,627,009
Capital assets, net of accumulated depreciation	63,569,116	40,046,723	3,280,435	451,159	107,347,433	111,191,192
Total non-current assets	65,633,473	40,682,328	3,725,190	451,159	110,492,150	114,665,157
Total assets	$ 78,376,097	55,241,950	4,064,210	503,861	138,186,118	143,334,770
Liabilities:						
Current liabilities:						
Accounts payable	$ 230,642	374,126	50	144,336	749,154	747,469
Interest payable	195,889	41,814	152,819	-	390,522	413,945
Deposits payable	-	25,515	75,000	926	101,441	99,941
Due to other funds (Note 3)	-	-	294,749	450,845	745,594	675,166
Unearned revenue	300,113	35,674	-	-	335,787	365,028
Workers' compensation claims	-	-	-	-	-	-
Compensated absences	124,853	137,866	-	-	262,719	246,482
Current portion of long-term debt	1,766,365	1,197,326	157,233	-	3,120,924	3,047,256
Total current liabilities	2,617,862	1,812,321	679,851	596,107	5,706,141	5,595,287
Long-term liabilities:						
Workers' compensation claims	-	-	-	-	-	-
Utility revenue bonds	2,926,465	5,658,638	-	-	8,585,103	9,551,902
Loans payable	19,478,059	9,796,410	3,547,483	-	32,821,952	34,967,876
Lease obligation	-	-	-	-	-	-
Pension obligation bonds	-	-	-	-	-	-
Advances from other funds (Note 3)	-	-	164,826	155,840	320,666	364,164
Total long-term liabilities	22,404,524	15,455,048	3,712,309	155,840	41,727,721	44,883,942
Total liabilities	25,022,386	17,267,369	4,392,160	751,947	47,433,862	50,479,229
Net assets:						
Invested in capital assets, net of related debt	39,398,227	23,394,349	(424,281)	451,159	62,819,454	63,624,158
Unrestricted	13,955,484	14,580,232	96,331	(699,245)	27,932,802	29,231,383
Total net assets (deficit)	$ 53,353,711	37,974,581	(327,950)	(248,086)	90,752,256	92,855,541

See accompanying notes to basic financial statements.

Governmental Activities Total Internal Service Funds	
2010	2009
3,181,680	3,381,430
98	-
-	-
953	2,880
13,862	15,170
19,310	22,948
3,215,903	3,422,428
12,249,036	12,601,889
-	-
-	-
-	-
285,102	314,853
8,485,308	8,900,981
21,019,446	21,817,723
24,235,349	25,240,151
176,465	98,963
34,408	34,739
-	-
13,537	8,326
-	-
198,971	200,200
-	-
925,000	885,000
1,348,381	1,227,228
248,756	349,970
-	-
-	-
297,461	327,973
12,348,493	12,791,377
285,102	314,853
13,179,812	13,784,173
14,528,193	15,011,401
8,187,847	8,573,008
1,519,309	1,655,742
9,707,156	10,228,750

See accompanying notes to basic financial statements.

CITY OF BENICIA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
Fiscal year ended June 30, 2010
(with comparative information for the prior year)

	Business-Type Activities - Enterprise Funds					
					Total Business-Type Funds	
	Wastewater	Water	Marina	Transit	2010	2009
Operating revenues:						
Charges for services	$ 6,387,193	6,359,151	-	82,255	12,828,599	13,418,723
Connection fees	134,889	231,531	-	-	366,420	288,045
Rentals	-	-	318,767	-	318,767	323,034
Other	247	19,905	-	2,265	22,417	116,601
Total operating revenues	6,522,329	6,610,587	318,767	84,520	13,536,203	14,146,403
Operating expenses:						
Wages and benefits	2,113,143	2,435,751	-	29,789	4,578,683	4,702,160
Materials and supplies	626,139	560,818	-	-	1,186,957	1,321,975
Operations and maintenance	1,860,852	1,794,059	117,705	919,741	4,692,357	4,565,639
Purchased water	-	623,708	-	-	623,708	366,306
Claims	-	-	-	-	-	-
Depreciation	2,205,214	1,797,129	189,612	167,425	4,359,380	4,203,161
Total operating expenses	6,805,348	7,211,465	307,317	1,116,955	15,441,085	15,159,241
Operating income	(283,019)	(600,878)	11,450	(1,032,435)	(1,904,882)	(1,012,838)
Nonoperating revenues (expenses):						
Interest income	196,168	211,571	21,400	-	429,139	1,151,428
Interest (expense)	(593,376)	(516,999)	(171,781)	(8,154)	(1,290,310)	(1,364,431)
Amortization of issuance cost of debt	(23,541)	(52,028)	-	-	(75,569)	(82,127)
Intergovernmental revenue	-	-	64,000	745,348	809,348	599,934
Pension obligation amortization	-	-	-	-	-	-
Gain (loss) from sale of capital assets	-	-	-	(40,596)	(40,596)	5,598
Total nonoperating revenues (expenses)	(420,749)	(357,456)	(86,381)	696,598	(167,988)	310,402
Income (loss) before transfers and contributions	(703,768)	(958,334)	(74,931)	(335,837)	(2,072,870)	(702,436)
Transfers and capital contributions:						
Capital contributions	-	-	-	-	-	2,000,000
Transfers in (note 3)	-	-	-	50,000	50,000	50,000
Transfers out (note 3)	(32,165)	(48,250)	-	-	(80,415)	(80,415)
Total transfers and capital contributions	(32,165)	(48,250)	-	50,000	(30,415)	1,969,585
Change in net assets	(735,933)	(1,006,584)	(74,931)	(285,837)	(2,103,285)	1,267,149
Net assets (deficits) at beginning of year	54,089,644	38,981,165	(253,019)	37,751	92,855,541	91,588,392
Net assets (deficits) at end of year	$ 53,353,711	37,974,581	(327,950)	(248,086)	90,752,256	92,855,541

See accompanying notes to basic financial statements.

Governmental Activities Total Internal Service Funds	
2010	2009
3,590,292	3,145,661
-	-
-	-
20,933	204,567
3,611,225	3,350,228
896,323	807,517
101,501	362,251
246,627	280,138
-	-
1,064,957	669,710
564,482	570,370
2,873,890	2,689,986
737,335	660,242
80,457	93,726
(887,042)	(520,185)
-	-
-	-
(352,853)	(336,394)
509	4,300
(1,158,929)	(758,553)
(421,594)	(98,311)
-	-
-	10,000
(100,000)	-
(100,000)	10,000
(521,594)	(88,311)
10,228,750	10,317,061
9,707,156	10,228,750

See accompanying notes to basic financial statements.

CITY OF BENICIA
Proprietary Funds
Statement of Cash Flows
Fiscal year ended June 30, 2010
(with comparative information for the prior year)

	Business-Type Activities - Enterprise Funds					
					Total Business-Type Funds	
	Wastewater	Water	Marina	Transit	2010	2009
Cash flows from operating activities:						
Receipts from customers	$ 6,532,963	6,758,149	141,041	511,654	13,943,807	14,668,621
Payments to suppliers for goods and services	(2,442,015)	(2,966,613)	(117,655)	(1,032,726)	(6,559,009)	(6,689,594)
Payments to employees for services	(2,108,021)	(2,424,636)	-	(29,789)	(4,562,446)	(4,697,078)
Net cash provided by (used for) operating activities	1,982,927	1,366,900	23,386	(550,861)	2,822,352	3,281,949
Cash flows from non-capital and related financing activities:						
Operating grants and contributions	-	-	64,000	745,348	809,348	599,934
Principal paid in non-capital debt	-	-	-	-	-	-
Interest paid in non-capital debt	-	-	-	-	-	-
Transfers in	-	-	-	50,000	50,000	50,000
Transfers (out)	(32,165)	(48,250)	-	-	(80,415)	(80,415)
Advances to other funds	-	-	-	(144,731)	(144,731)	(1,627,009)
Advances from other funds	246,271	-	219,664	(48,003)	417,932	217,082
Net cash provided by (used for) non-capital and related financing activities	214,106	(48,250)	283,664	602,614	1,052,134	(840,408)
Cash flows from capital and related financing activities:						
Principal paid on debt	(1,726,144)	(1,170,650)	(150,462)	-	(3,047,256)	(3,020,941)
Proceeds from capital lease	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	2,000,000
Interest paid on debt	(607,053)	(520,538)	(177,988)	(8,154)	(1,313,733)	(1,386,855)
Acquisition of capital assets	(39,813)	(463,167)	-	-	(502,980)	(6,476,102)
Proceeds from sale of capital assets						5,598
Loss from sale of capital assets	-	-	-	(43,266)	(43,266)	-
Net cash provided by (used for) capital and related financing activities	(2,373,010)	(2,154,355)	(328,450)	(51,420)	(4,907,235)	(8,878,300)
Cash flows from investing activities:						
Interest received	203,526	219,008	21,400	-	443,934	1,215,629
Net cash provided by (used for) investing activities	203,526	219,008	21,400	-	443,934	1,215,629
Net increase (decrease) in cash and cash equivalents	27,549	(616,697)	-	333	(588,815)	(5,221,130)
Cash and cash equivalents at beginning of year	11,608,289	13,869,594	-	-	25,477,883	30,699,013
Cash and cash equivalents at end of year	$ 11,635,838	13,252,897	-	333	24,889,068	25,477,883

See accompanying notes to basic financial statements.

Governmental Activities Total Internal Service Funds	
2010	2009
3,611,225	3,350,228
(1,433,081)	(1,382,870)
(896,323)	(807,517)
1,281,821	1,159,841
-	-
(885,000)	(710,000)
(378,778)	(414,729)
(100,000)	10,000
-	-
(29,751)	28,607
34,962	(36,600)
(1,358,567)	(1,122,722)
(30,512)	(37,027)
-	365,000
-	-
(26,479)	(24,660)
(148,808)	(198,941)
509	4,300
-	-
(205,290)	108,672
82,384	100,549
82,384	100,549
(199,652)	246,340
3,381,430	3,135,090
3,181,778	3,381,430

See accompanying notes to basic financial statements.

CITY OF BENICIA
Proprietary Funds
Statement of Cash Flows
(Continued)

	Business-Type Activities - Enterprise Funds					
					Total Business-Type Funds	
	Wastewater	Water	Marina	Transit	2010	2009
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	$ (283,019)	(600,878)	11,450	(1,032,435)	(1,904,882)	(1,012,838)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	2,205,214	1,797,129	189,612	167,425	4,359,380	4,203,161
(Increase) decrease in accounts receivable	39,550	146,062	(193,335)	427,134	419,411	535,552
(Increase) decrease in prepaid items	-	6,524	-	-	6,524	(6,524)
(Increase) decrease in inventory	(2,298)	(61,898)	-	-	(64,196)	(115,865)
(Increase) decrease in other assets	-	-	15,609	-	15,609	-
Increase (decrease) in accounts payable	47,273	67,346	50	(112,985)	1,684	(313,285)
Increase (decrease) in deferred revenue	(28,915)	-	-	-	(28,915)	(14,666)
Increase (decrease) in deposits payable	-	1,500	-	-	1,500	1,332
Increase (decrease) in compensated absences	5,122	11,115	-	-	16,237	5,082
Increase (decrease) in workers' compensation claims	-	-	-	-	-	-
Net cash provided by (used for) operating activities	$ 1,982,927	1,366,900	23,386	(550,861)	2,822,352	3,281,949

There were no significant noncash investing or financing activities for the year ended June 30, 2010 and 2009.

See accompanying notes to basic financial statements.

Governmental Activities Total Internal Service Funds	
2010	2009
737,335	660,242
564,482	570,370
-	-
3,638	28,908
1,308	7,500
-	-
77,501	(45,458)
-	-
-	-
-	-
(102,443)	(61,721)
1,281,821	1,159,841

See accompanying notes to basic financial statements.

THE CITY OF
BENICIA
CALIFORNIA

Fiduciary Funds

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements. The City maintains a Trust Fund for the Affordable Housing Private Purpose Trust.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements. The City maintains its Agency Funds for its assessment districts.

CITY OF BENICIA
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010
(with comparative information for the prior year)

	Affordable Housing Private Purpose Trust	Agency Funds	Totals 2010	Totals 2009
Assets				
Cash and investments (Note 2)	$ 19,546	3,265,942	3,285,488	3,237,045
Interest receivable	6	997	1,003	2,718
Total assets	$ 19,552	3,266,939	3,286,491	3,239,763
Liabilities				
Due to bondholders	$ -	3,266,939	3,266,939	3,220,586
Total liabilities	-	3,266,939	3,266,939	3,220,586
Net Assets				
Held in trust for:				
Other governments	19,552		19,552	19,177
Total net assets	$ 19,552		19,552	19,177

See accompanying notes to basic financial statements.

CITY OF BENICIA
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Fiscal year ended June 30, 2010
(with comparative information for the prior year)

	Affordable Housing Private Purpose Trust	
	2010	2009
Additions		
Investment income	$ 375	595
Total additions	375	595
Change in net assets	375	595
Net assets, beginning of year	19,177	18,582
Net assets, end of year	$ 19,552	19,177

See accompanying notes to basic financial statements.

IX.A.76

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
ACTION ITEMS

DATE : March 28, 2011

TO : City Manager

FROM : Administrative Services Director

SUBJECT : **SECOND READING AND ADOPTION OF AN ORDINANCE AMENDING THE CONTRACT BETWEEN THE CITY AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR LOCAL SAFETY EMPLOYEES TO PROVIDE SECTION 21363.1 (3% AT 55 FORMULA) AND SECTION 20037 (THREE-YEAR FINAL COMPENSATION)**

RECOMMENDATION:
Adopt the ordinance amending the contract between the City and Public Employee's Retirement System (CalPERS) for local safety employees to provide a second tier of lower benefits, 3%@55 retirement formula and three-year final compensation, for new local safety members entering membership after the date of the contract amendment.

EXECUTIVE SUMMARY:
On March 1, 2011, City Council approved a resolution of intention (Resolution 11-27) and introduced and conducted the first reading of an ordinance amending the contract between the City and Public Employee's Retirement System (CalPERS) for local safety employees to provide a second tier of lower benefits, 3%@55 retirement formula and three-year final compensation, for new local safety members entering membership after the date of the contract amendment. The proposed action is the second reading and adoption of the ordinance.

BUDGET INFORMATION:
The current fiscal year 2010-2011 employer rate for safety employees is 20.880% of reportable earnings. For new local safety members hired after the date of the contract amendment, the fiscal year 2010-2011 rate will be 17.360% of reportable payroll, a reduction of 3.52%. The exact dollar amounts of savings will depend on the number of employees hired after the contract amendment is made. Cost savings initially will be minimal. However, as existing employees retire and new replacement employees are hired at the lower retirement tier, the cost savings will increase dramatically in future years. The savings from the second tier pension will continue into the future. The fiscal year 2011-2012 employer rate for existing safety employees will be 25.821%. For employees

hired, or moved into the second tier retirement system, the fiscal year 2011-2012 rate will be 22.062%. These rates do not include charges for City pension obligation bonds.

GENERAL PLAN:
N/A

STRATEGIC PLAN:
Relevant Strategic Plan Issues and Strategies include:

Strategic Issue 3: Strengthening Economic and Fiscal Conditions.

BACKGROUND:
In 2010 the City concluded negotiations with the Benicia Police Officer's Association (BPOA), Benicia Firefighter's Association (BFA) and discussions with unrepresented safety management units. All units agreed to the implementation of a second retirement tier with lower benefits for new local safety members entering membership after the date of the contract amendment. The lower level benefits would be the 3%@55 retirement benefit formula along with a three-year final compensation period. This is compared with the current formula of 3%@50 and one-year final compensation period.

The new benefit tier will decrease the employer contribution rate for new local safety members entering membership. The new benefit tier benefits would be the 3%@55 benefit formula along with a three-year final compensation period. This is compared with the current formula of 3%@50 and one-year final compensation period.

If approved by the City Council, the contract amendment would be effective June 1, 2011.

Attachments:
- Proposed Ordinance
- Contract Amendment – Exhibit

CITY OF BENICIA

ORDINANCE NO. 11-

AN ORDINANCE OF THE CITY OF BENICIA AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The City Council of the City of Benicia does ordain as follows:

SECTION 1

That the amendment to the contract between the City Council of the City of Benicia and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made part hereof as though herein set out in full.

SECTION 2

The Mayor of the City Council of the City of Benicia is hereby authorized, empowered, and directed to execute said amendment for and on behalf of said Agency.

SECTION 3

This ordinance shall take effect thirty (30) days after the date of its adoption, and prior to the expiration of fifteen (15) days from the passage thereof shall be published at least once in the Benicia Herald, a newspaper of general circulation, published and circulated in the City of Benicia and thenceforth and thereafter the same shall be in full force and effect.

*****

On a motion of Council Member , seconded by Council Member the foregoing Ordinance was introduced at a regular meeting of the City Council held on the 1st day of March, 2011 and adopted at a regular meeting of said Council held on the 5th day of April, 2011 by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

ATTEST:

_____
Lisa Wolfe, City Clerk

CalPERS

EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Benicia

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective October 1, 1967, and witnessed September 11, 1967, and as amended effective July 1, 1971, August 1, 1973, November 1, 1974, January 1, 1977, March 1, 1981, March 1, 1982, April 1, 1986, January 1, 1987, April 17, 1987, May 1, 1992, May 1, 1993, September 18, 1993, November 6, 1998, November 18, 2000 and July 1, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 12 are hereby stricken from said contract as executed effective July 1, 2002, and hereby replaced by the following paragraphs numbered 1 through 15 inclusive:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members, age 50 for local safety members entering membership in the safety classification on or prior to the effective date of this amendment to contract and age 55 for local safety members entering membership for the first time in the safety classification after the effective date of this amendment to contract.

PLEASE DO NOT SIGN "EXHIBIT C"

2. Public Agency shall participate in the Public Employees' Retirement System from and after October 1, 1967 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:

   (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.

   (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.

   (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.

   (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.

PLEASE DO NOT COPY LANGUAGE

(e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.

(f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.

(g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

   a. Local Fire Fighters (herein referred to as local safety members);

   b. Local Police Officers (herein referred to as local safety members);

   c. Employees other than local safety members (herein referred to as local miscellaneous members).

5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

NO ADDITIONAL EXCLUSIONS

6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment before and not on or after July 1, 2002 shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).

7. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment on or after July 1, 2002 shall be determined in accordance with Section 21354.5 of said Retirement Law (2.7% at age 55 Full).

8. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member entering membership in the safety classification on or prior to the effective date of this amendment to contract shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).

9. The percentage of final compensation to be provided for each year of credited current service as a local safety member entering membership for the first time in the safety classification after the effective date of this amendment to contract shall be determined in accordance with Section 21363.1 (3% at age 55 Full).

10. Public Agency elected and elects to be subject to the following optional provisions:

    a. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance) for local safety members only.

    b. Section 20042 (One-Year Final Compensation) for local miscellaneous members and local safety members entering membership in the safety classification on or prior to the effective date of this amendment to contract.

    c. Section 20965 (Credit for Unused Sick Leave).

    d. Section 21573 (Third Level of 1959 Survivor Benefits) for local miscellaneous members only.

    e. Section 20903 (Two Years Additional Service Credit).

    f. Section 20434 ("Local Fire Fighter" shall include any officer or employee of a fire department employed to perform firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as described in Government Code Section 20434).

    g. Section 21024 (Military Service Credit as Public Service).

    h. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local safety members only.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

i. Section 21548 (Pre-Retirement Option 2W Death Benefit) for local police members only.

j. Section 20475 (Different Level of Benefits). Section 21363.1 (3% @ 55 Full formula) and Section 20037 (Three-Year Final Compensation) are applicable to local safety members entering membership for the first time in the safety classification after the effective date of this amendment to contract.

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on March 1, 1981. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.

12. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.

13. Public Agency shall also contribute to said Retirement System as follows:

a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

b. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local safety members.

c. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

d. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

14. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

15. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY_____
LORI MCGARTLAND, CHIEF
EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF BENICIA

BY_____
PRESIDING OFFICER

_____
Witness Date

Attest:

_____
Clerk

PLEASE DO NOT SIGN THIS EXHIBIT ONLY
PLEASE DO NOT SIGN THIS EXHIBIT ONLY

AGENDA ITEM
CITY COUNCIL MEETING DATE - APRIL 5, 2011
ACTION ITEMS

DATE : March 22, 2011

TO : City Manager

FROM : Acting Economic Development Manager

SUBJECT : **APPROVE A RESOLUTION AWARDING CONSULTANT CONTRACT TO CIVITAS ADVISORS TO PERFORM A BUSINESS IMPROVEMENT DISTRICT FEASIBILITY STUDY AND POSSIBLE FORMATION AND AUTHORIZING THE CITY MANAGER TO SIGN THE CONTRACT ON BEHALF OF THE CITY**

RECOMMENDATION:
Approve, by resolution, an agreement for professional services, valued at $36,000, with Civitas Advisors to determine the feasibility and possible formation of a business improvement district (BID).

EXECUTIVE SUMMARY:
A business improvement district is a source of funding which is used to provide special improvements and/or services within the district. It is a self-assessment levied by and upon those business owners that exist within the district.

The purpose of this contract with Civitas Advisors is to provide Benicia business owners information on business improvement districts, specifically how one could be applied in Benicia. This expertise does not exist in house. Additionally, if those affected business owners desire to move forward to create such a district, Civitas Advisors would also provide legal and technical services to form the BID.

STRATEGIC PLAN:
Relevant Strategic Plan Goals and Strategies:

Strategic Issue 3: Strengthening Economic and Fiscal Conditions
- Strategy #1: Implement Tourism Plan
- Strategy #3: Retain and Attract Business

BUDGET INFORMATION:
This contract's value is $36,000. The contract has been separated in two phases, feasibility and formation. The feasibility phase (Phase I) is valued at $20,000 and shall be appropriated from Account No. 010-2605-8256, for which $20,000 is

budgeted. The formation phase (Phase II), valued at $16,000 shall be on a contingency fee basis and only paid upon successful formation of a business improvement district and be paid from initial proceeds from the BID.

BACKGROUND:

The effort to hire a firm with experience in developing and forming BIDs is a progression of studies and developed priorities dating back to 2007. In the Economic Development Strategy, adopted in 2007, tourism was identified as a key component for Benicia's economy. What followed was a Strategic Tourism Marketing Plan, completed in 2008 by the Placemaking Group. Succeeding this plan was installation of wayfinding signage in the downtown and main gateways, and creation of a visitor-oriented website, www.VisitBenicia.org. Then in October 2009, the City hired Wolf Communications to implement a tourism and marketing campaign.

Now, in April 2011the City stands ready to take the next step in our tourism effort in identifying and determining the feasibility of a business improvement district. The purpose of employing such a district is to establish a stable funding source for improvements and/or services, which benefit a specific district or area, that are above and beyond what the City is presently capable of providing.

To do this it is necessary to enlist the services of firms with familiarity with such districts. Due to the complexity of developing and the legal components of forming a BID, these tasks are not something for which City staff is able to perform. First, in order to effectively discuss the merits of a BID, one must be able to describe with particular detail how a BID is developed. For example, what business types are to be included, how is a district boundary to be drawn, what will be the assessment? Secondly, layered on top of these questions are the governing California statutes, for which there are two, the Parking and Business Improvement Area Law of 1989 and the Property and Business Improvement District law of 1994, that regulate and authorize the creation of these types of special districts. Without the experience of developing such districts and the expertise to determine what law is most applicable, one would be left floundering in conjecture, speculation and frustration. Therefore, if our conversation is to evolve from a list of ideas to a plan of action, a professional firm is needed.

To meet that need, staff drafted a request for proposals (RFP), which was released on January 3, 2011 and closed on February 7, 2011. The City received responses from a total of five firms all of whom were interviewed by a selection committee of staff and stakeholders. The selection committee ranked Civitas Advisors as the most qualified respondent, both in the manner in which they would deliver their services and their flexibility in providing a contingency fee option for the formation phase.

Civitas Advisors have been working with communities to develop special districts since 1994, creating or modifying over 100 special districts. In their proposal for Benicia, Civitas Advisors has outlined two phases with four total steps over a seven month time period. Phase I can be categorized as the feasibility phase, encompassing the steps of research/planning and public outreach. These two steps will provide Civitas Benicia's business demographics that will then allow them to provide information to business owners. At that time business owners will share their comments and thoughts, allowing Civitas to incorporate those suggestions into various BID options.

If there is clear support from business owners to move forward with forming a BID, Civitas will proceed with Phase II. This includes drafting legal documents, including final consensus documents, and assisting the City Council with the public hearing process to properly form the district. As was noted above in the budget section, Civitas proposal provides that this phase of the contact will be on a contingency fee basis. Meaning that Civitas will only be paid for their formation services if the BID is formed. Furthermore, the cost associated with formation, $16,000, shall be paid from the initial proceeds of the BID.

The timeframe for this project, if both phases occur, is approximately seven months. As was noted above, there are two laws that govern BIDs. At this point in the process it is presumed that Benicia's effort will fall under the 1989 act, but it is still too early to definitively rule out the 1994 act. Additionally, the passage of Proposition 26 last November, which increased the threshold needed to pass fees or taxes may or may not apply to BIDs. Nevertheless, assuming for the moment that Prop. 26 is applicable to both the 1989 and 1994 acts, each of these acts could still fall under one of the seven exceptions outlined in Prop. 26.[1]

Leading up to Council's consideration of the contract staff has a held multiple meetings to discuss BIDs. On October 27, 2010 the Economic Development Board held a special meeting in the Council Chambers to hear a presentation by Leap Solutions, and attorneys from Merrill, Arnone, & Jones. Additionally, the Tourism Stakeholders Committee have discussed BIDs and in March of 2011 staff held a series of communication sessions with First Street business owners and merchants where, among other things, BIDs were discussed.

Over the course of the last five years, following the recognition and development of Benicia' s tourism effort, it was determined the exploration and possible formation of a business improvement district was an appropriate vehicle or tool in

[1] For more information on Prop 26 and the seven exceptions, please refer to the attached executive summary on Prop. 26 from the March issue of Western Cities Magazine.

implementing Benicia's economic development strategy; as such, staff is recommending approval of the consultant services contract with Civitas Advisors.

Attachments:

- Proposed Resolution
- Proposed Agreement
- Civitas Proposal
- Western City Proposition 26 Article

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA AWARDING A PROFESSIONAL SERVICES CONSULTANT CONTRACT TO CIVITAS ADVISORS OF SACRAMENTO, CALIFORNIA IN THE AMOUNT NOT TO EXCEED $36,000 AND AUTHORIZING THE CITY MANAGER TO SIGN THE CONTRACT ON BEHALF OF THE CITY

WHEREAS, a Request for Proposals for Business Improvement District (BID) Services was released on January 3, 2011; and

WHEREAS, five proposals were timely received and reviewed by a selection committee of staff and stakeholders; and

WHEREAS, the selection committee of staff and stakeholders interviewed all five firms submitting proposals; and

WHEREAS, the selection committee and staff recommended Civitas Advisors of Sacramento, California to the City Council as the most qualified proposer; and

WHEREAS, Civitas Advisors and President John Lambeth have almost 17 years of experience in creating and operating business improvement districts, and a current and former client list includes the Napa Valley Tourism Improvement District, Sacramento Tourism Business Improvement District, and South Lake Tahoe Tourism Improvement District; and

WHEREAS, Civitas Advisors shall perform a contact with two phases consisting of a feasibility study (Phase I) and formation (Phase II); and

WHEREAS, Phase I, valued at $20,000, shall consist of deliberations with Benicia business owners and merchants to develop and determine the feasibility of forming a BID; and

WHEREAS, Phase II, valued at $16,000, shall only occur after clear and convincing support exists by affected business owners and merchants; and

WHEREAS, Phase II shall be performed on a contingency fee basis, paid after successful formation of the BID; and

WHEREAS, the initial proceeds of the BID shall pay the costs of Phase II of the contract.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia hereby accepts the proposal for business improvement district services.

BE IT FURTHER RESOLVED THAT the City Council awards the consultant

contract to Civitas Advisors in the amount not to exceed $36,000, of which the City of Benicia is responsible for $20,000 and the BID, if formed, is responsible for $16,000.

BE IT FURTHER RESOLVED THAT the City Manager is authorized to sign the contract on behalf of the City, subject to approval by the City Attorney.

BE IT FURTHER RESOLVED THAT the City Manager or his designee is authorized to review and approve all expenditures related to the delivery of goods and services outlined in the contract.

BE IT FURTHER RESOLVED THAT funds sufficient to cover the City of Benicia's portion of the contract, totaling $20,000, exists in Account No. 010-2605-8256.

On motion of Council Member , and seconded by Council Member , the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011 and adopted by the following vote.

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

CONSULTANT AGREEMENT

This agreement ("Agreement") entered into April 6, 2011, is between the City of Benicia, a municipal corporation (hereinafter "CITY"), and **CIVITAS ADVISORS INC** as California Corporation with its primary office located at 7700 College Town Drive, Suite 111, Sacramento, California, 95826 (hereinafter "CONSULTANT") (collectively, "the Parties").

RECITALS

WHEREAS, CITY has determined it is necessary and desirable to secure certain professional services for tourism marketing. The scope of work for said service (hereinafter "Project") is attached hereto as Exhibit A (Proposal to Form the Benicia Visitor Improvement District) and is hereby incorporated by reference; and

WHEREAS, CONSULTANT is specially trained, experienced and competent to perform the services required by this agreement; and

WHEREAS, CONSULTANT represents it is qualified and willing to provide such services pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, IT IS AGREED by and between CITY and CONSULTANT as follows:

AGREEMENT

1. INCORPORATION OF RECITALS. The recitals set forth above, and all defined terms set forth in such recitals and in the introductory paragraph preceding the recitals, are hereby incorporated into this Agreement as if set forth herein in full.

2. SCOPE OF SERVICES.

(a) Services to be Furnished. Subject to such policy direction and approvals as CITY through its staff may determine from time to time, CONSULTANT shall perform the services set forth in the Scope of Work labeled Exhibit A, which is attached hereto and incorporated herein by reference.

(b) Schedule for Performance. CONSULTANT shall perform the services identified in Exhibit A according to the completion schedule and as expeditiously as is consistent with generally accepted standards of professional skill and care, and the orderly progress of work.

(i) CONSULTANT and CITY agree that the completion schedule in Exhibit A represents the best estimate of the schedule. CONSULTANT shall comply with completion dates noted in Exhibit A unless the CITY's project manager grants a written waiver.

(ii) CONSULTANT shall not be responsible for performance delays caused by others, or delays beyond CONSULTANT'S control, and such delays shall extend the times for performance of the work by CONSULTANT. Such delays will be identified in writing by CONSULTANT to CITY; if accepted by CITY, a written waiver to the completion dates will be granted pursuant to Section 2(b)(i) above.

(c) Standard of Quality. All work performed by CONSULTANT under this Agreement shall be in accordance with all applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in CONSULTANT'S field of expertise. CONSULTANT shall function as a technical advisor to CITY, and all of CONSULTANT'S activities under this Agreement shall be performed to the full satisfaction and approval of the City Manager or his designee.

(d) Compliance With Laws. CONSULTANT shall comply with all applicable federal, state, and local laws, codes, ordinances, regulations, orders, and decrees. CONSULTANT represents and warrants to CITY that CONSULTANT shall, at its own cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, insurance and approvals which are legally required for CONSULTANT to practice its profession or are necessary and incident to the due and lawful prosecution of the services it performs under this Agreement. CONSULTANT shall maintain a City of Benicia business license. CONSULTANT shall at all times during the term of this Agreement, and for one year thereafter, provide written proof of such licenses, permits, insurance, and approvals upon request by CITY. CITY is not responsible or liable for CONSULTANT'S failure to comply with any or all of the requirements contained in this paragraph.

3. COMPENSATION.

(a) Schedule of Payment. The compensation to be paid by CITY to CONSULTANT for the services rendered hereunder shall be on a time and materials basis based upon the rate schedule in Exhibit A attached hereto and hereby incorporated by reference. The rate schedule in Exhibit A itemizes those standard and expected expenses for which CONSULTANT shall receive compensation.

(b) Additional Services. CITY shall make no payment to CONSULTANT for any additional services unless such services and payment have been mutually agreed to and this Agreement has been formally amended in accordance with Section 7.

(i) CONSULTANT shall not commence any work or services exceeding the Scope of Services in Section 2 without prior written authorization from CITY in accordance with Section 7. CONSULTANT'S failure to obtain a formal amendment to this Agreement authorizing additional services shall constitute a waiver of any and all right to compensation for such work or services.

(ii) If CONSULTANT believes that any work CITY has directed CONSULTANT to perform is beyond the scope of this Agreement and constitutes additional services, CONSULTANT shall promptly notify CITY of this fact before

commencing the work. CITY shall make a determination as to whether such work is beyond the scope of this Agreement and constitutes additional services. If CITY finds that such work does constitute additional services, CITY and CONSULTANT shall execute a formal amendment to this Agreement, in accordance with Section 7, authorizing the additional services and stating the amount of any additional compensation to be paid.

(c) Invoicing and Payment. CONSULTANT shall submit fixed monthly invoices for $4,750 for four months, beginning in April 2011 for Phase I professional fees. If it is determined that forming a district is feasible, CONSULTANT will bill the complete Phase II fees and expenses in November 2011, which invoice will be due and payable immediately upon initial collections from the Business Improvement District assessment. A start-up fee of ten percent of Phase I project costs, $2,000, will be due and payable upon execution of the Agreement. The amount of the start-up fee will be deducted from CONSULTANT's final Phase I invoice in July 2011. CONSULTANT will send CITY a monthly invoice for fees and costs incurred. Invoices will include the fixed professional fees and expenses. The basis of calculation or other method of determining extraordinary expenses shall be clearly identified by item and amount. If both phases of the project are completed by November 2011, Civitas' fees and expenses shall not exceed $36,000. Invoices or billings must indicate directly related costs by line item in accordance with Exhibit A. CITY shall approve or disapprove said invoice or billing within thirty (30) days following receipt thereof and shall pay all approved invoices and billings within thirty (30) days. Interest at the rate of one and one-half (1.5) percent per month will be charged on all past due amounts starting thirty (30) days after the invoice date, unless not permitted by law, in which case interest will be charged at the highest amount permitted by law. Payments will be credited first to interest, and then to principal.

(d) Total Compensation. Unless prior written approval is granted by CITY's project manager, total compensation for Phase I (Scope of Work items 1.1 – 2.4) shall not exceed $20,000. Total compensation for Phase II (Scope of Work items 3.1 – 4.4) shall not exceed $16,000, and shall be on a contingency fee basis. Fees for Phase II shall be contingent upon the district being formed and shall be paid out of the proceeds of the district. The total amount of compensation to be paid under this contract shall not exceed $36,000 without written authorization of the City Manager.

4. PRODUCT REVIEW AND COMMENT. Unless otherwise specified, CONSULTANT shall provide CITY with at least one (1) copy of each work product described in Exhibit A. Upon the completion of each product, CONSULTANT shall be available to discuss with CITY. If CITY requires additional review and/or revision, CITY shall conduct reviews in a timely manner.

5. TERM OF AGREEMENT. This Agreement shall be effective from April 6, 2011 through November 30, 2011, unless it is amended pursuant to Section 7 or terminated pursuant to Section 6.

6. TERMINATION:

(a) CITY and CONSULTANT shall have the right to terminate this Agreement for any reason whatsoever at any time by serving upon the other party written notice of termination. The Agreement shall terminate three (3) business days after notice of termination is given. The notice shall be deemed given on the date it is deposited in the U.S. mail, certified, postage prepaid, addressed to CONSULTANT or CITY at the address indicated in Section 11.

(b) If CITY issues a notice of termination,

(i) CONSULTANT shall immediately cease rendering services pursuant to this Agreement;

(ii) CONSULTANT shall deliver to CITY copies of all writings, whether or not completed, which were prepared by CONSULTANT, its employees, or its subcontractors, if any, pursuant to this Agreement. For purposes of this Agreement, the term "writings" shall include, but not be limited to, handwriting, typewriting, computer and website files and records, drawings, blueprints, printing, photostatting, photographs, and every other means of recording upon any tangible thing, any form of communication or representation, including letters, words, pictures, sounds, symbols, or combinations thereof;

(iii) CITY shall pay CONSULTANT for work actually performed up to the effective date of the notice of termination, subject to the limitations prescribed by Section 3 of this Agreement, less any compensation to CITY for damages suffered as a result of CONSULTANT'S failure to comply with the terms of this Agreement. Such payment shall be in accordance with Exhibit A. However, if this Agreement is terminated for fault of CONSULTANT, CITY shall be obligated to compensate CONSULTANT only for that portion of CONSULTANT'S services that are of benefit to CITY.

7. AMENDMENTS. Modifications or amendments to the terms of this Agreement shall be in writing and executed by both Parties.

8. NONDISCLOSURE OF CONFIDENTIAL INFORMATION. CONSULTANT shall not, either during or after the term of this Agreement, disclose to any third party any confidential information relative to the work of CITY without the prior written consent of CITY.

9. INSPECTION. CITY representatives shall, with reasonable notice, have access to the work and work records, including time records, for purposes of inspecting same and determining that the work is being performed in accordance with the terms of this Agreement. Inspections by CITY do not in any way relieve or minimize the responsibility of CONSULTANT to comply with this Agreement and all applicable laws.

10. INDEPENDENT CONTRACTOR. In the performance of the services in this Agreement, CONSULTANT is an independent contractor and is not an agent or employee of CITY. CONSULTANT, its officers, employees, agents, and subcontractors, if any, shall have no power

to bind or commit CITY to any decision or course of action, and shall not represent to any person or business that they have such power. CONSULTANT has and shall retain the right to exercise full control of the supervision of the services and over the employment, direction, compensation, and discharge of all persons assisting CONSULTANT in the performance of said service hereunder. CONSULTANT shall be solely responsible for all matters relating to the payment of its employees, including compliance with social security and income tax withholding, workers' compensation insurance, and all other regulations governing such matters.

11. NOTICE. Any notices or other communications to be given to either party pursuant to this Agreement shall be in writing and delivered personally or by certified U.S. mail, postage prepaid, addressed to the party at the address set forth below. Either party may change its address for notices by complying with the notice procedures in this Section. Notice so mailed shall be deemed delivered three (3) business days after deposit in the U.S. mail. Nothing shall preclude the giving of notice by electronic mail provided, however, that notice by electronic mail shall be followed by notice deposited in the U.S. mail as discussed above. CITY's project manager is the Economic Development Manager.

If to CITY: Mario Giuliani, Acting Economic Development Manager
City of Benicia
250 East L Street
Benicia, California 94510

If to CONSULTANT: John Lambeth
Civitas Advisors Inc
7700 College Town Drive, Suite 111
Sacramento, CA 95826

12. OWNERSHIP OF MATERIALS. CITY is the owner of everything created, produced, or generated as part of the services performed under this Agreement. At any time during the term of this Agreement, at the request of CITY, CONSULTANT shall deliver to CITY all writings, files, records, and information created or maintained pursuant to this Agreement. In addition, CONSULTANT shall not use any of the writing, records, or information generated for the Project under this Agreement for any other work without CITY's consent.

13. EMPLOYEES; ASSIGNMENT; SUBCONTRACTING.

(a) Employees. CONSULTANT shall provide properly skilled professional and technical personnel to perform all services required by this Agreement. CONSULTANT shall not engage the services of any person(s) now employed by CITY without CITY's prior express written consent. CITY reserves the right to request substitution of employees.

(b) Assignment. CONSULTANT shall not assign, delegate, or transfer its duties, responsibilities, or interests in this Agreement without the prior express written consent of CITY. Any attempted assignment without such approval shall be void and, at CITY's option, shall terminate this Agreement and any license or privilege granted herein.

(c) Subcontracting. CONSULTANT shall not subcontract any portion of the work to be performed under this Agreement without the prior express written consent of CITY. If CITY consents to CONSULTANT'S hiring of subcontractors, CONSULTANT shall provide to CITY copies of each and every subcontract prior to its execution. All subcontractors are deemed to be employees of CONSULTANT, and CONSULTANT agrees to be responsible for their performance. CONSULTANT shall give its personal attention to the fulfillment of the provisions of this Agreement by all of its employees and subcontractors, if any, and shall keep the work under its control. CITY reserves the right to request substitution of subcontractors.

14. BINDING AGREEMENT. This Agreement shall bind the successors in interest, legal representatives, and permitted assigns of CITY and CONSULTANT in the same manner as if they were expressly named herein.

15. WAIVER.

(a) Effect of Waiver. Waiver by either party of any default, breach, or condition precedent shall not be construed as a waiver of any other default, breach, or condition precedent or any other right under this Agreement.

(b) No Implied Waivers. The failure of either party at any time to require performance by the other party of any provision hereof shall not affect in any way the right to require such performance at a later time.

16. NONDISCRIMINATION.

(a) CONSULTANT shall not discriminate in the conduct of the work under this Agreement against any employee, applicant for employment, or volunteer on the basis of race, religious creed, color, national origin, ancestry, physical or mental disability, marital status, pregnancy, sex, age, sexual orientation or other prohibited basis will not be tolerated.

(b) Consistent with City's policy that harassment and discrimination are unacceptable employer/employee conduct, CONSULTANT agrees that harassment or discrimination directed toward a job applicant, a City employee, or a citizen by CONSULTANT or CONSULTANT'S employee or subcontractor on the basis of race, religious creed, color, national origin, ancestry, physical or mental disability, marital status, pregnancy, sex, age, sexual orientation or other prohibited basis will not be tolerated. CONSULTANT agrees that any and all violation of this provision shall constitute a material breach of the Agreement.

17. INDEMNITY. CONSULTANT specifically agrees to indemnify, defend, and hold harmless CITY, its officers, agents, and employees from and against any and all actions, claims, demands, losses, expenses including attorneys' fees, damages, and liabilities resulting from injury or death of a person or injury to property, arising out of or in any way connected with the performance of this Agreement, however caused, regardless of any negligence of the CITY, whether active or passive, excepting only such injury or death as may be caused by the sole negligence or willful misconduct of the CITY. The CONSULTANT shall pay all costs that may be incurred by CITY in enforcing this indemnity, including reasonable attorneys' fees.

18. INSURANCE.

(a) Required Coverage. CONSULTANT, at its sole cost and expense, shall obtain and maintain in full force and effect throughout the entire term of this Agreement the following described insurance coverage. This coverage shall insure not only CONSULTANT, but also, with the exception of workers' compensation and employer's liability insurance, shall name as additional insureds CITY, its officers, agents, employees, and volunteers, and each of them:

	Policy	Minimum Limits of Coverage
(i)	Workers' Compensation	Statutory
(ii)	Comprehensive Automobile Insurance Services Office, form #CA 0001 (Ed 1/87 covering auto liability code 1 (any auto)	Bodily Injury/Property Damage $1,000,000 each accident
(iii)	General Liability Insurance Services Office Commercial General Liability coverage on an occurrence basis (occurrence form CG 0001)	$1,000,000 per occurrence. If Commercial General Liability Insurance or other form with a general aggregate limit shall apply separately to this Project/ location, the general aggregate limit shall be twice the required occurrence limit

(b) Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by CITY.

(c) Required Provisions. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(i) For any claims related to this Project, the CONSULTANT'S insurance coverage shall be primary insurance as respects CITY, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by CITY, its officers, officials, employees, or volunteers shall be in excess of the CONSULTANT'S insurance and shall not contribute with it;

(ii) Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to CITY, its officers, officials, employees, or volunteers;

(iii) The CONSULTANT'S insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

(iv) Each insurance policy required by this Section shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after giving CITY 30 days' prior written notice by certified mail, return receipt requested.

(d) Acceptability of Insurers. CONSULTANT shall place insurance with insurers with a current A.M. Best's rating of no less than [A:VII] unless CONSULTANT requests and obtains CITY'S express written consent to the contrary.

(e) Verification of Coverage. CONSULTANT must provide complete, certified copies of all required insurance policies, including original endorsements affecting the coverage required by these specifications. The endorsements are to be signed by a person authorized by CONSULTANT'S insurer to bind coverage on its behalf. All endorsements are to be received and approved by CITY before work commences.

19. WORKERS' COMPENSATION.

(a) Covenant to Provide. CONSULTANT warrants that it is aware of the provisions of the California Labor Code that require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code. CONSULTANT further agrees that it will comply with such provisions before commencing the performance of the work under this Agreement.

(b) Waiver of Subrogation. CONSULTANT and CONSULTANT'S insurance company agree to waive all rights of subrogation against CITY, its elected or appointed officials, agents, and employees for losses paid under CONSULTANT'S workers' compensation insurance policy which arise from the work performed by CONSULTANT for CITY.

20. FINANCIAL RECORDS. CONSULTANT shall retain all financial records, including but not limited to documents, reports, books, and accounting records which pertain to any work or transaction performed pursuant to this Agreement for four (4) years after the expiration of this Agreement. CITY or any of its duly authorized representatives shall, with reasonable notice, have access to and the right to examine, audit, and copy such records.

21. CONFLICT OF INTEREST. CONSULTANT shall exercise reasonable care and diligence to prevent any actions or conditions that could result in a conflict with CITY'S interest. During the term of this Agreement, CONSULTANT shall not accept any employment or engage in any consulting work that creates a conflict of interest with CITY or in any way compromises the services to be performed under this Agreement. CITY and CONSULTANT shall immediately notify each other of any and all violations of this Section upon becoming aware of such violation, and CONSULTANT must immediately correct the conflict upon such notice.

22. TIME OF THE ESSENCE. CONSULTANT understands and agrees that time is of the essence in the completion of the work and services described in Section 2.

23. SEVERABILITY. If any court of competent jurisdiction or subsequent preemptive legislation holds or renders any of the provisions of this Agreement unenforceable or invalid, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected.

24. GOVERNING LAW AND CHOICE OF FORUM. This Agreement shall be administered and interpreted under California law as if written by both parties. Any litigation arising from this Agreement shall be brought in the Superior Court of Solano County.

25. COSTS AND ATTORNEYS' FEES. If either party commences any legal action against the other party arising out of this Agreement or the performance thereof, the prevailing party in such action may recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and attorneys' fees. In any action seeking recovery of monetary damages, the plaintiff shall not be considered to be the prevailing party unless it recovers at least 66% of the dollar amount requested in the complaint's prayer for relief.

26. INTEGRATION. This Agreement represents the entire understanding of CITY and CONSULTANT as to those matters contained herein and supersedes all prior negotiations, representations, or agreements, both written and oral. This Agreement may not be modified or altered except in accordance with Section 7.

Executed by CITY and CONSULTANT on the date shown next to their respective signatures. The effective date of this Agreement shall be the date of execution by the CITY as shown below.

CIVITAS ADVISORS INC.

BY:_____
JOHN LAMBETH, PRESIDENT

DATED:

CITY OF BENICIA

BY:_____
BRAD KILGER, CITY MANAGER

DATED:

APPROVED AS TO FORM

_____
HEATHER C. MC LAUGHLIN, CITY ATTORNEY

EXHIBIT A
SCOPE OF WORK, BUDGET AND SCHEDULE

(PROPOSAL TO FORM THE BENICIA VISITOR IMPROVEMENT DISTRICT)

Proposal to Form the Benicia Visitor Improvement District

• • •

Submitted to the
City of Benicia

• • •

February 4, 2011

Partnerships. Progress. Prosperity.

CIVITAS

Sacramento • Los Angeles • Oakland

IX.C.17

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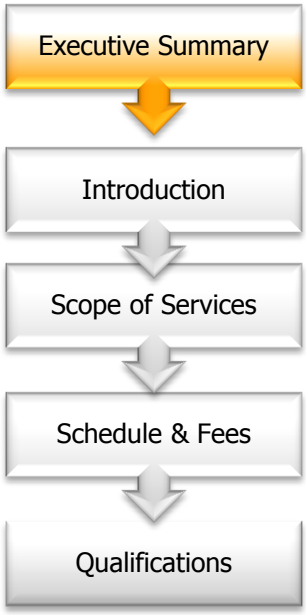
I. Executive Summary



Civitas proposes to assist the City of Benicia (the City) with formation of the Benicia Visitor Improvement District (BVID). Civitas has worked with over 100 improvement districts and will provide expert advice and guidance throughout the project.

Our proposal encompasses four steps leading to successful BVID formation. Civitas will create the database of district businesses, assist in consensus building, prepare and revise legal documents, and guide the City Council hearing process. Throughout the project Civitas will work closely with the City, business owners and City staff and officials.

We anticipate completion of this project in eight months. If started in April 2011 the project could be completed by November 2011.

"John is a very bright, personable man who helped me navigate through uncharted territory while creating a complex, multi-jurisdictional new Business Improvement District. His expert knowledge, wealth of experience, political savvy, and great sense of humor made working with him truly wonderful - so much so that I hired him for a second project also immediately after the first had wrapped. I cannot say enough good things about the man who has become my favorite consultant. I would give my highest praise and recommendation of him without question, and urge you to partner with this highly talented individual."

-Amy Blaschka, CEO and President
Tri-Valley Convention and Visitors Bureau

II. Introduction

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Thousands of business owners in cities throughout the United States are successfully using business improvement districts to better their businesses. Those districts' proven track records led to implementation of BIDs in California. Businesses in Benicia have expressed interest in using this model to form a stable funding source that will help support them.

The Parking and Business Improvement Area Law of 1989 (1989 Law) is a powerful tool available to business owners and local governments. This law empowers private business owners to work closely with local government officials and establish higher levels of services dedicated to benefitting district businesses.

As with most areas, there is a greater demand for certain services in Benicia than can be provided with limited City funding. Forming a VID can address this need and provide businesses with customized services designed to increase revenue.

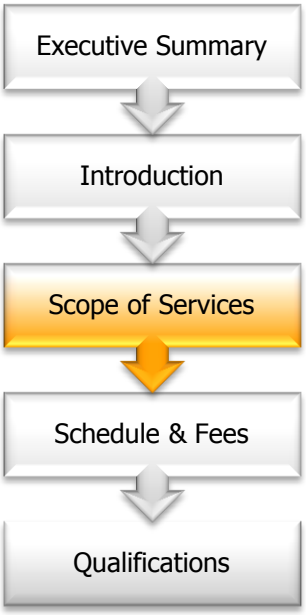
Working closely with the City, Civitas will guide a formation process designed to gather business owner input and support for the district.

This proposal is based on the understanding that business owners and the City will provide assistance and time needed to facilitate the process, including some database work, substantial time devoted to outreach meetings, and gathering support from business owners.

"The Santa Ynez Valley Hotel Association worked closely with the staff of Civitas to establish the first TBID in Santa Barbara County. We found John and his staff to be knowledgeable and efficient, working within our budget and timeline, always with integrity and patience. Their extensive TBID experience throughout the state, and their ability to work directly with city and county governments, gave our hoteliers confidence that the TBID we crafted together would meet our needs."

-Bill Phelps, Board Chair and Mary Harris, Executive Director
Santa Ynez Valley Hotel Association

III. Scope of Services



Overview

Two project phases with four total steps are anticipated over eight months, resulting in successful BVID formation. The four steps are briefly described below and outlined in further detail on the following pages.

Phase One

Step One: Planning and Research

This step creates the necessary leadership infrastructure to carry out the project. During this step Civitas, the City, and supportive business owners with identify their respective roles in the formation process. This step also includes gathering information on the proposed district.

Step Two: Outreach

Outreach efforts are undertaken in step two to connect with business owners and City staff and officials, and gain their support for the proposed district. The most feasible type of business assessment will be determined in this step.

Phase Two

Step Three: Document Preparation

In step three Civitas will draft legal documents needed to form the district, including City Council resolutions. Civitas will work closely with the City and business owners to ensure documents reflect the needs and priorities of assessed businesses. Documents drafted by Civitas will be submitted to the City and business owners for review. Based on their input, Civitas will revise documents as necessary and prepare final consensus documents.

Step Four: BID Formation

Finally, Civitas will guide the City Council hearing process to officially form the district.

Phase One - Step One: Planning and Research

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This task includes development of leadership infrastructure necessary to carry out a successful formation project. Civitas will work with the City to create the database of district businesses.

1.1 Project Parameters

Civitas will work with the City and business owners to clarify the project parameters. Assignments for Civitas, the City, and business owners will be established.

1.2 Research

Civitas will review Benicia's existing tourism planning documents and become more familiar with the A Great Day by the Bay program and other marketing initiatives. Civitas will also research and examine the business environment in Benicia to help identify the most feasible type of district.

1.3 Leadership Infrastructure

A project steering committee composed of City staff and supportive business owners will be formed. Civitas will work with the steering committee to provide guidance and keep the project on track.

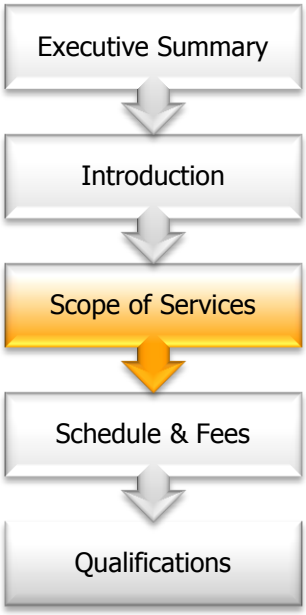
1.4 Database

Civitas will work with the City to create a database of district businesses. The database will be used for various purposes throughout the project, including calculating assessments and mass mailings. Variables that may need to be assembled include business name and address, owner name, business type, and revenue.

"John Lambeth and his team at Civitas are the 'go to' people for creating marketing districts. Their knowledge and professionalism not only made this complicated process easier to maneuver, they were instrumental in helping us achieve success in creating our district."

-Leslee Gaul, CEO and President
Visit Oceanside Conference and Visitors Bureau

Phase One - Step Two: Outreach and Consensus Building



It is our understanding that the steering committee will help conduct outreach and build consensus among district business owners. Reaching out to business owners, business organizations, and City staff and officials is a crucial piece of the formation process.

2.1 Feasibility Study

Civitas will examine the business environment in Benicia and the current visitor promotions program. This task will include one trip by Civitas to Benicia to meet with staff, the economic development board, and business owners. Civitas will work with staff and business owners to determine the most appropriate assessment structure for funding visitor promotion services.

2.2 Develop Outreach Program

Civitas and the City will work together to develop an effective outreach program. The program will include educating business owners and City staff and officials in the benefits of VIDs and seeking their input on the best strategy for Benicia.

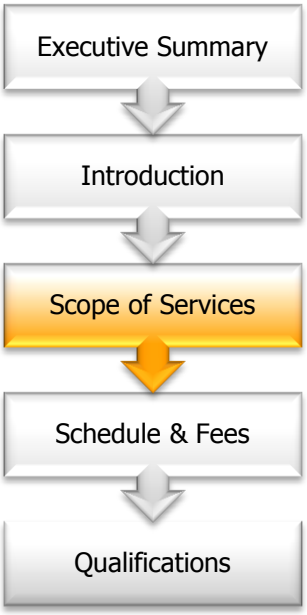
2.3 Establish Assessment and Services

During the outreach process, priorities for district services will be defined. An assessment rate which will be proportional to the services received by each business will be developed.

2.4 Database

The initial database will be updated and manipulated throughout the outreach process. Civitas and the City will build on previously obtained information to maintain a complete and current database of district businesses.

Phase Two - Step Three: Document Preparation



Civitas will utilize information gathered in the outreach process to prepare legal documents needed for district formation. Although the RFP issued referred to "sample documents" which would be customized by city staff, due to the highly customized nature of legal documents used for each district it is our recommendation that our legal staff prepare draft documents for review by city staff.

3.1 Resolution of Intention

Civitas will draft the required Resolution of Intention. This resolution will include parameters developed in step two, such as the proposed district boundaries, assessment rate and structure, district budget and services, and governance provisions. Civitas' legal staff will work with the City Attorney to ensure the resolution meets their satisfaction.

3.2 Notice

The 1989 Law requires written notice be sent to all businesses that will be assessed by the proposed district. Civitas will draft the notice and assist the City Attorney in providing the notice to assessees.

3.3 Ordinance of Formation

Civitas will draft the Ordinance of Formation, the document that will officially create the BVID. Civitas will work with the City Attorney to ensure the ordinance is satisfactory.

Civitas' legal staff will work to ensure compliance with applicable laws throughout the project.

3.4 Document Revision

Civitas will submit draft documents to the City and stakeholders for review. Civitas will incorporate comments received into final consensus documents.

3.5 Legal Review

All documents will undergo review by Civitas' legal staff to ensure they are compliant with the 1989 Law and other applicable statutes. Civitas' legal staff will work closely with City staff to ensure the district formation process is conducted in compliance with the 1989 Law.

Phase 2 - Step Four: BID Formation

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Schedule & Fees
Qualifications

Once consensus documents have been developed and approved, Civitas will assist with submitting them to the City Council. Under the 1989 Law, the City Council must adopt the Resolution of Intention, hold a public meeting for comments on the district, and hold a final hearing.

4.1 Resolution of Intention Hearing

Civitas will provide legal advice and guidance to the City related to the Resolution of Intention hearing, and attend the City Council hearing. If desired, Civitas will be prepared to make a brief presentation to the City Council on the proposed BVID.

4.2 Public Meeting

Civitas will assist the City and City staff in preparing for the public meeting. Civitas will outline the requirements for the meeting and work with the City Attorney to ensure compliance with the 1989 Law.

4.3 Public Hearing

Civitas will attend the final public hearing and be prepared to make a presentation, if desired, and answer any questions about the proposed BVID.

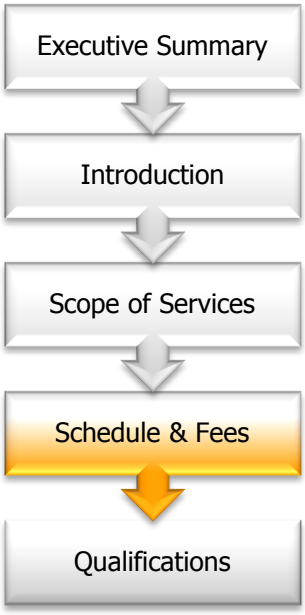
4.4 Advisory Board

Civitas will assist the advisory board, which will be appointed by the City, in beginning district operations.

John Lambeth, Civitas' President, *"has proven to be extremely valuable in assisting us in developing strategy and implementing initiatives"*

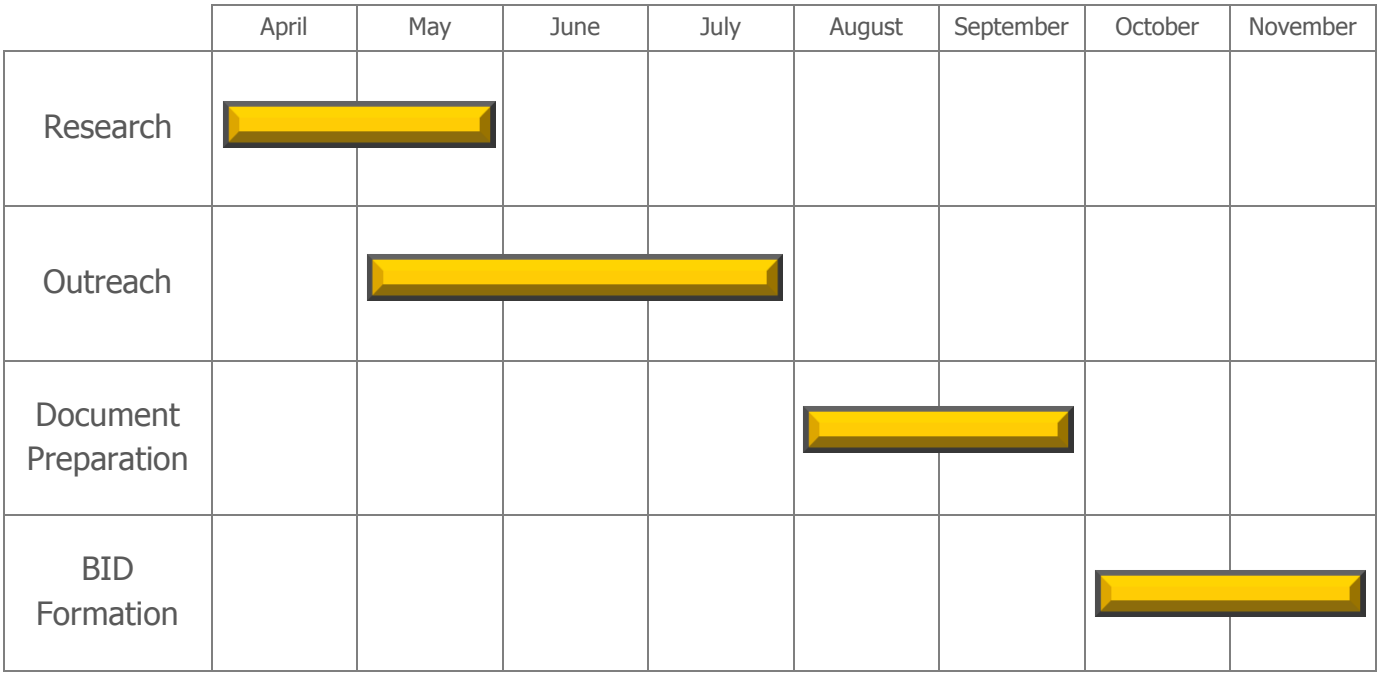
-John Severini, President and CEO
California Travel Industry Association

IV. Schedule and Fees

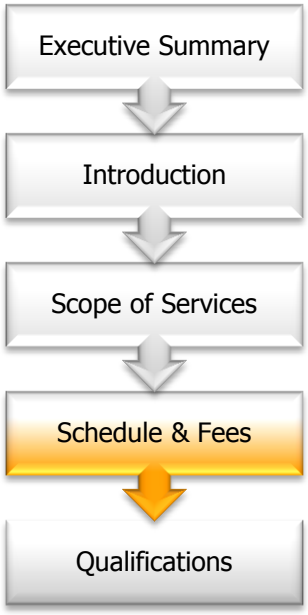


Schedule

We estimate that the BVID project can be completed in eight months. If started in April 2011, the project could be finished by November 2011. As you know, there are many unknown variables in a project of this nature. Although we would work diligently to form the BVID, factors outside our control and the City's control could delay or thwart even the best-developed plans. We will work to minimize risks and complete the project as the earliest possible date. Our expected progress for the project is outlined below.



Fees



Professional Fees

Civitas' fees for the scope of work in this proposal reflect our professional team's experience and expertise. We have carefully analyzed the hours expected to satisfactorily complete each task in this proposal. Fees and expenses include six trips to Benicia; four to meet with City staff and business owners during the feasibility study, and two to attend City Council hearings. If additional trips are necessary, we can discuss the need for additional fees.

	Step	Fees
1.	Initiation	$6,000
2.	Outreach	$13,000
3.	Expenses – feasibility study	$1,000
	Subtotal – Feasibility Study	*$20,000*
4.	Document Preparation	$6,000
5.	Hearing Process	$9,000
6.	Expenses – formation	$1,000
	Subtotal – formation	*$16,000*
	Total	$36,000

Civitas' professional fees for the research and outreach steps of the project will total $19,000, plus expenses. If Civitas determines that forming a district is feasible, Civitas' fees of $15,000, plus expenses, for document preparation and the hearing process will be payable out of the initial district collections. Fees for phase two shall be contingent upon the district being formed and shall be paid out of the proceeds of the district.

Staff

It is anticipated that John Lambeth, Helen Wyman, and Melanee Cardoza will work on this project. If additional services are requested beyond the limited scope of this proposal, we would bill at our currently hourly rates. Rates for staff on this project are: John Lambeth at $215 an hour, Helen Wyman at $180 an hour, and Melanee Cardoza at $160 an hour.

Expenses

Civitas will incur various costs and expenses in performing the services described herein. The City will be responsible for all costs and expenses in addition to the professional fees. Ordinary costs and expenses, such as telephone charges, postage, and photocopying will be billed at 3% of professional fees. Extraordinary expenses, such as mass mailings, travel, and delivery fees shall be billed at Civitas' actual cost.

Billing

Civitas proposes a fixed monthly fee of $4,750 for four months beginning in April 2011 for phase one professional fees. If Civitas determines that forming a district is feasible, Civitas will bill the complete phase two fees and expenses in November 2011, which invoice shall be due and payable out of the initial assessment collections. A start-up fee of ten percent of phase one project costs, $2,000, will be due and payable upon execution of an agreement between Civitas and the City. The amount of the start-up fee will be deducted from Civitas' final phase one invoice in July 2011. Civitas will send the City a monthly invoice for fees and costs incurred. Invoices will include the fixed professional fees and expenses. The basis of calculation or other method of determining extraordinary expenses shall be clearly identified by item and amount. If both phases of the project are completed by November 2011, Civitas' fees and expenses shall not exceed $36,000.

Cost Assumptions and Guidelines

We have projected a specific amount of time for district formation. It is assumed that the project will not exceed the budgeted amount of time and number of meetings. If unanticipated comments result in additional time or meetings beyond those which have been budgeted, we will propose to renegotiate terms. Factors that would increase the scope of work and estimated costs outlined above include additional meetings not described in this proposal, analysis of additional issues beyond those described in this proposal, or a lack of steering committee and business owner involvement in the project.

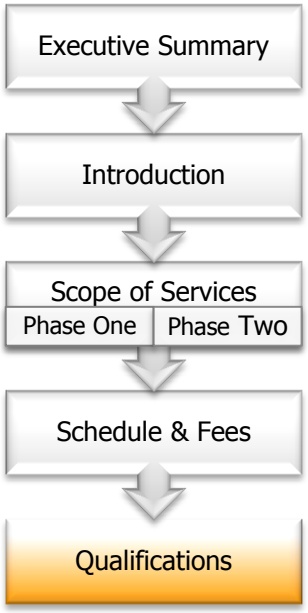
Business Information

The database for this project will rely on information from the City. Errors can and will occur in this data. While Civitas will do its utmost to identify and

correct any errors, it is acknowledged that data will always contain errors. We recommend the City continue to pursue data correction and verification strategies during and after formation, including mailings and error checking.

Thank you for the opportunity to submit this proposal. We look forward to working with you.

V. Qualifications



Partial Client List – TBID Projects

Carlsbad Tourism Business Improvement District
Claremont Tourism Business Improvement District
Chula Vista Tourism Marketing District
Dana Point Tourism Business Improvement District
Del Mar Tourism Business Improvement District
Folsom Tourism Business Improvement District
Fresno-Clovis Tourism Business Improvement District
Lodi Tourism Business Improvement District
Long Beach Tourism Business Improvement Area
Madera County Tourism Business Improvement District
Marin County Tourism Business Improvement District
Mariposa County Tourism Business Improvement District
Mendocino County Tourism Business Improvement District
Monterey County Tourism Business Improvement District
Napa Valley Tourism Improvement District
Newport Beach Tourism Business Improvement District
Oceanside Tourism Marketing District
Placer Valley Tourism Business Improvement District
Rancho Cordova Tourism Business Improvement District
Redding Hilltop Hotel Business Improvement District
Sacramento Tourism Business Improvement District
San Diego Tourism Marketing District
San Jose Hotel Business Improvement District
San Luis Obispo County Tourism Business Improvement District
Santa Barbara South Coast Tourism Business Improvement District
Santa Cruz County Tourism Business Improvement District
Santa Ynez Valley Tourism Business Improvement District
South Lake Tahoe Tourism Improvement District
Stockton Tourism Business Improvement District
Temecula Valley Tourism Business Improvement District
Tri-Valley Tourism Business Improvement District
Torrance Tourism Business Improvement District
Vallejo Tourism Business Improvement District
West Hollywood Tourism Business Improvement District

Staff Biographies

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John Lambeth, President

Mr. Lambeth is an attorney who specializes in creating and operating business improvement districts. He has worked with over 100 districts, and assisted with creation of the first property-based improvement districts in California. Mr. Lambeth has been involved in all aspects of BID formation and modification, including outreach, plan development, and petition and ballot drives. Mr. Lambeth is a member of CalTIA and DMAI. He formerly served as clerk to the Honorable Malcolm M. Lucas, Chief Justice of the California Supreme Court.

Helen Wyman

Ms. Wyman has worked with Bay Area BIDs for seven years. Upon graduating from The UC Davis with honors in 2003, she served as Executive Director of the Montclair BID from 2003-2008 and the Laurel BID from 2005-2007. Through her special events company, she held contracts with multiple BIDs and successfully produced large-scale street festivals in eight districts in Oakland. In 2009, she was hired as the District Manager of the Downtown Oakland and Lake Merritt/Uptown Community Benefit Districts. Ms. Wyman also served as Secretary of Oakland Merchant Leadership Forum from 2003-2007 and was one of the founders of Oakland Grown, a buy local campaign.

Melanee Cardoza

Ms. Cardoza began her career in the legal field at the firm Gardner, Janes, Nakken, Hugo and Nolan while attending California State University, Sacramento. While at CSUS she was inducted into the Phi Kappa Phi, Phi Alpha Theta, and Golden Key honor societies. She earned a bachelor's degree in history with honors. Ms. Cardoza has spent several years managing the operation of assessment districts, specializing in budget and legal document preparation. She is also President of the Sacramento Valley Paralegal Association and a legal technology instructor.

Industry Contacts

Civitas has had the pleasure of working with many experts in the tourism promotion field. The following individuals have extensive experience with tourism promotion, including establishing and operating business improvement districts.

Executive Summary
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Mr. Lorin Stewart
Executive Director
San Diego Tourism Marketing District
(619)209-6108

Ms. Amy Blaschka
Executive Director
Tri-Valley Convention and Visitors Bureau
(925)846-8910

Mr. Mark Essman
President
Marin County Convention and Visitors Bureau
(415)925-2060

Mr. Gary Sherwin
President
Newport Beach Conference and Visitors Bureau
(949)719-6100

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Proposition 26: An Executive Summary for The Layperson

BY PATRICK WHITNELL

Patrick Whitnell is general counsel for the League and can be reached at pwhitnell@cacities.org.

Much effort has been expended trying to explain and analyze the purpose and effect of Proposition 26, the so-called "Stop Hidden Taxes Initiative." Wading into the morass of municipal finance is a daunting task even for the expert, and Prop. 26 adds another layer of complexity to an already complicated area. This article provides the non-expert with tools to gain a working knowledge of Prop. 26.

The Starting Point: *Sinclair Paint*

Prop. 26's genesis occurred in 1997 with the California Supreme Court's decision in *Sinclair Paint v. State Board of Equalization*.[1] In this case, Sinclair Paint challenged a state fee imposed on companies that utilized lead to manufacture paint and other products. The fee was used to fund various state programs to address the impact of lead exposure on children. Sinclair Paint argued that this was not a fee but rather a tax, because Sinclair Paint did not benefit from any of the programs funded by the fee. Why is this distinction important? A fee may be adopted by the Legislature with a simple majority vote. A tax, on the other hand, requires a two-thirds vote of both houses for approval.

The court disagreed and held that the fee was not imposed by the state under its power to tax, but rather was imposed under its power to regulate to protect public health, safety and welfare (commonly referred to as the "police power"). Therefore the court concluded that if the fee bore a reasonable relationship to the burden imposed by those charged the fee and the fee did not exceed the cost of the program it was funding,

IX.C.33

then the fee was not a tax. It did not matter that the person paying the fee did not receive any benefit from the program being funded.

The Aftermath: The Rise of the "Regulatory Fee"

Sinclair Paint-type fees are commonly referred to as "regulatory fees." After the Supreme Court validated regulatory fees as not being taxes, the state (as well as local agencies) looked to adopt regulatory fees to provide funding for a variety of state and local programs. Environmental review and regulation programs were a popular choice to be funded by regulatory fees. At the local level, regulatory fees were used to provide funding to address the adverse effects of certain types of business activities. For example, a city may impose a regulatory fee on businesses that sell alcohol to address the increased policing and health costs associated with drinking.

The Response: Proposition 26

Business groups have long complained about regulatory fees. After the Supreme Court decision, they continued to argue that regulatory fees were nothing more than taxes, that they placed an unfair burden on businesses and that they were simply a way for the state and local governments to avoid the voting requirements imposed by Prop. 13 and Prop. 218. It's no surprise that the California Chamber of Commerce was the main proponent of Prop. 26.

The best explanation of the proponent's argument for why Prop. 26 was necessary can be found in the initiative's Findings and Declarations of Purpose section, which reads:

> This escalation in taxation does not account for the recent phenomenon whereby the Legislature and local governments have disguised new taxes as "fees" in order to extract even more revenue from California taxpayers without having to abide by [the] constitutional voting requirements [imposed by Prop. 13 and Prop. 218]. Fees couched as "regulatory" but which exceed the reasonable costs of actual regulation or are simply imposed to raise revenue for a new program and are not part of any licensing or permitting program are actually taxes and should be subject to the limitations applicable to the imposition of taxes.

Prop. 26 appeared on the November 2010 ballot and was narrowly approved by the voters with 52.5 percent of the vote.

The Rule: What Does Proposition 26 Do?

Prop. 26 is divided into two parts. One part addresses state fees and the other addresses local fees. Although the two parts overlap substantially, there are also significant differences. This article focuses exclusively on the part addressing local fees.

Prop. 26 is a constitutional amendment that introduces, for the first time, a definition of what constitutes a local tax:

> As used in this article, "tax" means any levy, charge or exaction of any kind imposed by a local government ...

Therefore, almost any requirement imposed by a local government that results in the local government receiving revenues is a local tax. This means that the local government would need to obtain a majority approval of the voters if the revenues are to be used for general governmental purposes, or a two-thirds voter approval if the revenues are to be used for a particular purpose. In contrast, a fee may be adopted by a majority vote of the city council.

Fortunately for cities, this all-encompassing definition is tempered by seven exceptions set forth in Prop. 26. These exceptions encompass most — but not all — fees or charges that a city may want to impose. Unfortunately, not all the exceptions are models of clear language, and the courts will likely be the final arbiter as to their meaning. The following section provides a brief synopsis of what these exceptions cover.

The Exceptions: What Proposition 26 Does Not Apply To

The seven exceptions temper the broad definition of "tax" in Prop. 26. But the interpretation of these exceptions and their application in particular circumstances will be the focus of future legal arguments. A full discussion of these exceptions is beyond the scope of this article, but here is a synopsis of each exception and a few common examples of what each exception may cover.

1. **The Special Benefit or Privilege Exception** provides that a fee imposed by local government that provides a special benefit to the person paying the fee or directly grants the person some privilege is not a tax. Common examples include fees for planning permits, restricted neighborhood parking permits, and entertainment and street closure permits.

2. **The Government Service or Product Exception** provides that a fee imposed for a specific government service or government product provided directly to the person paying the fee is not a tax. Some common examples are fees for parks and recreation classes.

3. **The Licenses and Permits Exception** provides that the following are not taxes: a fee imposed for issuing licenses and permits; and the costs of administrative enforcement of licenses and permits. Common examples include health and safety permits, building licenses, police background checks and permits for regulated businesses (such as massage establishments, card rooms, taxicabs and tow-truck operators).

For the exceptions set forth in items 1 through 3, Prop. 26 imposes the additional requirement that the fee imposed must not exceed the city's reasonable costs. If the fee does exceed the reasonable costs, then it is not eligible for any of these exceptions and would be a tax subject to voter approval.

4. **The Local Government Property Exception** provides that fees charged for the use of or entrance to local government property is not a tax. Some common examples are city facility room rentals, equipment rental fees, park entrance fees and golf greens fees.

5. **The Fines and Penalties Exception** provides that fines and penalties imposed for violations of the law are not taxes. Common examples include parking fines, code enforcement fines, library late return penalties and late payment penalties.

6. **The Property Development Exception** provides that a fee imposed as a condition of property development is not a tax. Some common examples are development impact fees, construction and grading

permit fees, fees imposed by California Environmental Quality Act mitigation requirements, and Quimby Act and park mitigation fees.

7. **The Prop. 218 Exception** provides that property assessment and property-related fees that are already subject to the approval requirements of Prop. 218 are not taxes. Common examples include water and sewer rates and special district assessments, such as Landscape and Lighting District Act assessments.

A Short Note on Proposition 26's Effective Date

Prop. 26 was approved by the voters on Nov. 2, 2010. With respect to the part addressing local fees, nothing in Prop. 26 explicitly or implicitly provides that it was intended to apply to local fees that were in place prior to that date. But if a local fee that existed prior to Nov. 2, 2010, is increased or extended after that date, the fee needs to be examined to determine whether it falls within one of the seven exceptions. If it does not fall within any exception, the increased or extended fee is subject to the voter-approval requirement.

Conclusion

Prop. 26 continues the line of initiatives, which began with Prop. 13, that place constraints on cities' ability to raise revenues without first receiving voter approval. The seven exceptions in Prop. 26 help to significantly narrow its application, but its exact contours await future court interpretation. Therefore it is critical for cities to consult with their city attorney whenever they consider adopting a new fee or increasing or extending an existing fee.

Footnote:

[1] 15 Cal. 4th 866.

AGENDA ITEM
CITY COUNCIL MEETING DATE – APRIL 5, 2011
ACTION ITEM

DATE : March 28, 2011

TO : City Manager

FROM : Finance Director
Public Works and Community Development Director

SUBJECT : **APPROVAL OF LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION TO FINANCE VARIOUS ENERGY CONSERVATION PROJECTS**

RECOMMENDATION:

1. Adopt the resolution amending Resolution No. 11-36 approving a change order to the Energy service contract with Chevron Energy Services for installation of renewable energy generation equipment at City facilities.
2. Adopt the resolution approving the form and authorizing the execution of certain lease financing documents in connection with the offering and sale of Certificates of Participation relating thereto to finance various energy conservation projects throughout the geographic boundaries of the City and authorizing and directing certain actions with respect thereto.

EXECUTIVE SUMMARY

On March 15, 2011, the City Council approved a financing structure for the Energy Conservation Project that included the "Private Placement" of Certificates of Participation. Following the Council meeting, certain events precluded staff from completing the planned transaction. Staff now recommends modifying the requisite documents to allow a "Public Offering" of Certificates of Participation to fund the project, capitalized interest during the construction period, and costs of issuance. Final terms and pricing will be set subsequent to City Council approval, at the time of sale, with maximum limits of $13.35 million for all costs and 6.5% interest for 25 years. It is anticipated the minimum annual net savings target of $50,000 will go into the Energy Conservation Fund for future projects.

BUDGET INFORMATION:

The project will be funded at no cost to the City using a combination of lease financing, California Solar Initiative rebates and electricity savings. Although the

City's General Fund is ultimately responsible, the payments on the financing are expected to be recovered via energy cost savings to the City.

GENERAL PLAN:

The project supports sustainability, which is the overarching objective of the General Plan.

STRATEGIC PLAN:

The project fulfills the following Strategic Plan issues, strategies and actions:

Relevant Strategic Plan Issues and Strategies:

- Strategic Issue 2 Protecting and Enhancing the Environment
  - Strategy 2.1 Reduce greenhouse gas emissions and energy consumption
    - Action 2.1(d) Facilitate private construction of at least one alternative energy project
  - Strategy 2.3 Pursue and adopt sustainable practices
    - Action 2.3 (a) Pursue LEED certification for community center

CLIMATE ACTION PLAN:

The project supports the following Climate Action Plan objective and strategies:

- Objective B-1 Increase Building and Energy Efficiency in Municipal Buildings by 10% by 2020
- Objective E-2 Increase Amount of Renewable Energy in Benicia
  - Strategy E-2.1 Renewable Energy Project Manager
  - Strategy E-2.3 Renewable Energy for City Facilities
- Objective E-3 Increase Amount of Solar Energy Production in Benicia Strategy E-3.1 Encourage Parking Lot Solar Photovoltaic Arrays
- Objective E-4 Increase Amount of Wind Energy Production in Benicia to 15% by 2020
  - Strategy E-4.1 Increase Wind Energy Generation within City Limits

ENVIRONMENTAL REVIEW:

Each of the construction projects is Categorically Exempt per California Environmental Quality Act Guidelines Section 15332, which applies to infill development projects within the city limits and consistent with the General Plan, and Section 15303 (e), which applies to construction of small structures, including carports. In addition, construction at the City Hall parking lot site was

reviewed for potential effects on historical resources, and the Historic Preservation Review Commission approved that project and a Categorical Exemption per CEQA Guidelines Section 15303 (e) on July 22, 2010.

The added streetlight retrofit portion of the project is also Categorically Exempt per California Environmental Quality Act Guidelines Section 15302 (c), which applies to replacement or reconstruction of existing utility facilities involving negligible or no expansion of capacity.

BACKGROUND:

Financial Restructuring. On March 15, 2011, the City Council approved a financing structure for the Energy Conservation Project that included the "Private Placement" of Certificates of Participation ("COP"). The approved structure was the culmination of several months of research during one of the most turbulent periods in financial market history and included savings in the costs of issuance and special reserve fund costs in order to compensate for higher interest rates. Shortly following Council approval, the designated underwriter for the COP failed to deliver an interest rate at or below the established parameter of 6.75% and the City was forced to seek other funding opportunities.

After being notified of the failure, the City's Financial Advisor, Mark Pressman from Wulff, Hansen and Company, continued reviewing trends in the financial markets and determined that a "Public Offering" COP had once again become a viable financing option. Market conditions had removed it as an option in November 2010. With the assistance of Brian Quint, Bond Counsel from Quint and Thimmig, LLP, the financing structure was re-assembled to meet the City's criteria and to meet the contractual obligations with Chevron Energy Solutions.

The revised financing plan includes a standard lease financing structure in connection with the offering and sale of Certificates of Participation to finance the various energy conservation projects. As with the previous financing plan, the City Council is asked to approve the parameters for issuing the COP's, after which, Mark Pressman will formally collect and negotiate bids from two prospective underwriters. The maximum parameters for entering the agreements have been established as $13,350,000 at 6.5% for 25 years. It is anticipated the minimum annual net savings target of $50,000 will be achieved and placed into the Energy Conservation Fund for future projects.

Table 1.

Summary of Solar Projects				
Location	**Structure Type**	**Arrays**	**Construction Cost**	**Annual Savings**
City Hall	Parking Canopy	2	$ 989,000	$ 41,304
Community Center	Parking Canopy	3	$ 730,250	$ 24,824
Community Park	Parking Canopy	2	$ 396,750	$ 23,527
Corporation Yard	Parking Canopy	2	$ 483,000	$ 21,205
Water Treatment Plant	Ground-mounted	1	$ 1,447,890	$ 101,283
Pump Station #1	Ground-mounted	1	$ 702,800	$ 55,798
Pump Station #2	Ground-mounted	1	$ 1,287,980	$ 90,072
Aquatics Center	Shade Canopy	2	$ 494,700	$ 22,204
Fire Station #12	Roof Mounted	1	$ 113,808	$ 8,605
Pump Station #3 (Alternate)	Ground-mounted	1	$ 1,817,500	$ 145,837
Total Amended Project			**$ 8,463,678**	**$ 534,659**

Summary of Energy Conservation Measures				
Location	**Type of ECM**	**Retrofits**	**Construction Cost**	**Annual Savings**
Energy Analysis	General	-	$60,000	
Engineering, PM/CM, Contin.	General		$1,620,461	
CSI Application Fees	Solar Credits	-	n/a	
Community Park	Lighting	21	$8,997	$989
Camel Barn	Lighting	100	$15,633	$1,725
Corporation Yard	Lighting	22	$7,884	$1,932
City Hall	Lighting	44	$14,070	$1,874
Library	Lighting	546	$69,508	$4,665
Police Station	Lighting	29	$8,749	$1,034
Wastewater Treatment Plant	Lighting	451	$82,766	$15,959
Water Treatment Plant	Lighting	214	$46,255	$10,315
Install 2 Meteorological Stations	Wind Data	2	$20,000	
R&R City Hall Parking Lot	Prep for Canopy		$700,000	
Street Light Replacement	Lighting	2000	$742,000	$ 69,760
Contingency	Various		$300,000	
Total ECM & Other Costs			**$ 3,696,322**	**$ 108,254**

Total Project Cost			**$ 12,160,000**	**$ 642,913**

Underwriter Discount	Financing	Est.	$ 267,000	
Reserve Fund	Financing	Est.	$ 52,000	
Bond Insurance Premium	Financing	Est.	$ 195,000	
Capitalized Interest	Financing	Est.	$ 365,000	
Cost of Issuance	Financing	Est.	$ 311,000	
Total Financing Amount			**$ 13,350,000**	

The energy cost-savings displayed in *Table 1*. were integrally linked to the financial structure required to fund the project. This includes the California Solar Initiative credits in the first five years, as well as the annual maintenance reserve

accounts required to replace certain energy retrofit projects at the end of their useful lives, many of which expire at the end of 15 years.

Table 2. displays the maximum parameters recommended by staff and a listing of the total interest, payments and savings over the maximum 25 year term. The exact amounts are expected to change when the final interest rate quotes are received in mid-April, with current market conditions trending more favorably and improving the net savings above the minimum target amount.

Table 2.

ANALYSIS OF CERTIFICATES OF PARTICIPATION **Prepared by Wulff, Hansen & Co.** ***Preliminary estimates and subject to change.***	
Description	**Expanded Project**
Maximum Total Financing	**$ 13,350,000**
Maximum Term Years Maximum Average Interest Rate	25 6.50%
Annual Savings/(Loss)	**$ 50,000**
Total Interest Paid Total Payments	$ 13,000,000 $ 26,350,000
Total Savings	**$ 1,250,000**

The conversion of the financing structure to a "public offering" has increased the maximum parameter of the issue from $12.95 million to $13.35 million to cover underwriter's discounts, disclosure counsel, and the release fee to Municipal Acquisitions for canceling the "private placement" after significant costs were incurred for their legal counsel and corporate involvement. *Table 3.* displays the updated amounts for each of the categories.

Table 3.

Costs of Issuance* **Prepared by Wulff, Hansen & Co.** ***Preliminary estimates and subject to change.***		
Description	**Expanded Project**	
Bond Counsel	$	47,500
Financial Advisor	$	66,440
Title Insurance	$	13,500
Rating	$	14,000
Disclosure Counsel	$	35,000
Trustee	$	2,500
PPFCC Leasing Assignee	$	3,500
Numerical Analysis	$	4,000
Release Fee	$	22,500
Miscellaneous	$	102,060
Total Costs of Issuance	**$**	**311,000**

Approval of Documents. The attached Resolution authorizes the Mayor, City Manager or Finance Director to execute all of the necessary documents related to the lease and issuance of Certificates of Participation. Each of the requisite documents is attached to the staff report and include:

(a) a site and facility lease, between the City, as lessor, and the Corporation, as lessee, pursuant to which the City will lease certain property (the "Property") to the Corporation;

(b) a lease agreement, by and between the Corporation, as lessor, and the City, as lessee (the "Lease Agreement"), pursuant to which the Corporation will lease the Property back to the City, so long as the total principal amount of the Lease Agreement does not exceed $13,350,000, so long as the maximum average interest rate does not exceed 6.50%, and so long as the term of the Lease Agreement does not exceed 25 years;

(c) a trust agreement, by and among the Corporation, the City and U.S. Bank National Association, as trustee, relating to the financing, and the execution and delivery of the Certificates;

(d) an insurance agreement, by and between the City and Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), relating to the reserve fund surety bond to be purchased in lieu of funding a cash reserve fund for the Certificates;

(e) a termination and release agreement, by and between the City and Municipal Acquisitions ("MA"), providing for the termination of the City's involvement with MA releasing the City from any and all claims asserted by MA against City with respect to the financing of the Project;

(e) a certificate purchase agreement, by and between an underwriter to be selected by a Designated Officer pursuant to a competitive process, the City and the Corporation;

(f) a Preliminary Official Statement describing the financing.

Additional Resolution Changes. On March 15, 2011, the City Council approved a change order to the Chevron Energy Solutions contract to add Street Light Retrofits to the Energy Conservation Project. Resolution 11-36 established a maximum financing amount of $12.95 million, which needs to be updated to read $13.35 million.

Leased Property Required. The financing requires that unencumbered property be identified that will be the subject of the lease having a value of not less than the amount financed. After a review of all City assets, it was determined that the available property having a value in excess of $13.35 million was a combination of the City Hall Administration Building and the Clocktower. The lease requires that, at all times, the value of the leased property be not less than the then unpaid principal amount of the lease.

However, the lease provides liberal substitution provisions so that if, in the future, if the City wishes to utilize the City Hall Administration Building or the Clocktower for another financing, one or both of those properties could be substituted for other available property, including, possibly, portions of the property upon which the solar arrays will be constructed, so long as the substituted property has a value not less than the then unpaid principal amount of the lease. Also, as the principal amount of the lease is reduced, portions of the leased property can be released. There are no recourse or foreclosure covenants.

The property, whether the initially identified City Hall Administration Building and Clocktower, or future substituted property, is not collateral for the City's obligations under the lease.

Attachments:

- Resolution amending Resolution No. 11-36 approving a change order to the Energy service contract with Chevron Energy Services for installation of renewable energy generation equipment at City facilities
- Resolution approving the form and authorizing the execution of certain lease financing documents in connection with the offering and sale of

Certificates of Participation relating thereto to finance various energy conservation projects throughout the geographic boundaries of the City and authorizing and directing certain actions with respect thereto

- Site and Facility Lease
- Lease Agreement
- Trust Agreement
- Insurance Agreement
- Termination and Release Agreement
- Certificate Purchase Agreement
- Preliminary Official Statement

RESOLUTION NO. 11-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA AMENDING RESOLUTION NO. 11-36 APPROVING A CHANGE ORDER TO THE ENERGY SERVICE CONTRACT WITH CHEVRON ENERGY SERVICES FOR INSTALLATION OF RENEWABLE ENERGY GENERATION EQUIPMENT AT CITY FACILITIES

WHEREAS, on October 5, 2010 the City Council approved the execution of an Energy Service Contract with Chevron Energy Solutions for the installation of renewable energy generation equipment at various city facilities ("the Project"); and

WHEREAS, on March 15, 2011 the City Council approved Project Change Order 1 for streetlight retrofitting of approximately 2000 sodium vapor streetlights citywide with induction bulbs; and

WHEREAS, Resolution No. 11-36 identified the maximum principal amount of financing for the project as $12,950,000 under a private placement lease strategy; and

WHEREAS, an alternative financing package has been identified using a public placement strategy, which is expected to yield at least as much or more cost savings to the City as the prior approach, but which includes increased costs of issuance.

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Benicia hereby amends Resolution No. 11-36 to state that the maximum principal amount of the obligations expected to be issued for the Project is $13,350,000.

*****

On a motion of Council Member , seconded by Council Member , the foregoing Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011, and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest:

_____
Lisa Wolfe, City Clerk

IX.D.10

RESOLUTION NO. 11 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BENICIA APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN LEASE FINANCING DOCUMENTS IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATING THERETO TO FINANCE VARIOUS ENERGY CONSERVATION PROJECTS THROUGHOUT THE GEOGRAPHIC BOUNDARIES OF THE CITY, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the City, with the assistance of the Public Property Financing Corporation of California (the "Corporation"), has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to finance various energy conservation projects throughout the geographic boundaries of the City (the "Project") and to implement a lease financing for such purposes; and

WHEREAS, it is in the public interest and for the public benefit that the City authorize and direct execution of the Lease Agreement (hereinafter defined) and certain other financing documents in connection therewith; and

WHEREAS, a preliminary official statement (the "Preliminary Official Statement") containing information material to the offering and sale of the Certificates described below have been prepared on behalf of the City; and

WHEREAS, on March 15, 2011, the City Council adopted Resolution No. 11-37 which approved a financing structure for the Project that contemplated a "private placement" of certificates of participation but, following the Council meeting, certain events precluded staff from completing the planned transaction; and

WHEREAS, a "public offering" of certificates of participation is now contemplated; and

WHEREAS, it is appropriate to rescind Resolution No. 11-37; and

WHEREAS, the documents below specified shall be filed with the City and the members of the Council, with the aid of its staff, shall review said documents.

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1. Resolution no. 11-37 is hereby rescinded and is of no further effect.

Section 2. Certificates of Participation (2011 Energy Conservation Projects) (the "Certificates") are hereby authorized to be executed and delivered pursuant to the provisions of the Trust Agreement, as hereinafter defined.

Section 3. The below-enumerated documents, in the forms on file with the City Clerk, be and are hereby approved, and the Mayor, the City Manager, the Finance Director or the assignee of any such official (each, a "Designated Officer"), are hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, and the City Clerk or any deputy to the City Clerk is hereby authorized and directed to attest to such official's signature:

(a) a site and facility lease, between the City, as lessor, and the Corporation, as lessee, pursuant to which the City will lease certain property (the "Property") to the Corporation;

(b) a lease agreement, by and between the Corporation, as lessor, and the City, as lessee (the "Lease Agreement"), pursuant to which the Corporation will lease the Property back to the City, so long as the total principal amount of the Lease Agreement does not exceed $13,350,000, so long as the maximum average interest rate does not exceed 6.50%, and so long as the term of the Lease Agreement does not exceed 25 years;

(c) a trust agreement, by and among the Corporation, the City and U.S. Bank National Association, as trustee, relating to the financing, and the execution and delivery of the Certificates;

(d) an insurance agreement, by and between the City and Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), relating to the reserve fund surety bond to be purchased in lieu of funding a cash reserve fund for the Certificates; and

(e) a termination and release agreement, by and between the City and Municipal Acquisitions ("MA"), providing for the termination of the City's involvement with MA releasing the City from any and all claims asserted by MA against City with respect to the financing of the Project.

Section 4. A certificate purchase agreement, by and between an underwriter (the "Underwriter") to be selected by a Designated Officer pursuant to a competitive process, upon consultation with the City's financial advisor, the City and the Corporation, relating to the purchase by the Underwriter of the Certificates, substantially in the form on file with the City Clerk, be and is hereby approved, and any Designated Officer is hereby authorized and directed to execute said document, with such changes, insertions and omissions as may be approved by such official, so long as the Underwriter's discount does not exceed

2% of the principal amount of the Certificates, exclusive of any original issue discount which does not represent compensation to the Underwriter.

Section 5. The Council hereby approves the Preliminary Official Statement describing the financing, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by any Designated Officer. The Council authorizes and directs any Designated Officer to deem “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) the Preliminary Official Statement prior to its distribution by the Underwriter.

Section 6. Any Designated Officer is authorized and directed to cause the Preliminary Official Statement to be brought into the form of a final official statement (the “Final Official Statement”) and to execute said Final Official Statement, dated as of the date of the sale of the Certificates, and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Certificates, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Certificates, and does not, as of the date of delivery of the Certificates, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The Designated Officers shall take such further actions prior to the signing of the Final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by any Designated Officer and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the City.

Section 7. The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Certificates.

Section 8. The Mayor, the City Manager, the Finance Director, the City Clerk, any deputy to the City Clerk and all other appropriate officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution and the financing herein authorized.

Section 8. This Resolution shall take effect upon its adoption by this Council.

* * * * *

On motion of Council Member _____, seconded by Council Member _____, the above Resolution was introduced and passed by the City Council of the City of Benicia at a regular meeting of said Council held on the 5th day of April, 2011, and adopted by the following vote:

Ayes:

Noes:

Absent:

_____
Elizabeth Patterson, Mayor

Attest**:**

_____
Lisa Wolfe, City Clerk

AFTER RECORDATION PLEASE RETURN TO:

Quint & Thimmig LLP
575 Market Street, Suite 3600
San Francisco, CA 94105-2874
Attention: Brian D. Quint, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE AND FACILITY LEASE

Dated as of April 1, 2011

by and between the

CITY OF BENICIA, as Lessor

and the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Lessee

---

(2011 Energy Conservation Projects)

SITE AND FACILITY LEASE

THIS SITE AND FACILITY LEASE (this "Site and Facility Lease"), dated as of April 1, 2011, is by and between the CITY OF BENICIA, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws of the State of California, as lessor (the "City"), and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as lessee (the "Corporation");

W I T N E S S E T H :

WHEREAS, the Corporation intends to assist the City to finance various energy conservation projects throughout the geographic boundaries of the City (the "Projects"), by leasing certain land and improvements to the City pursuant to a Lease Agreement, dated as of April 1, 2011, a memorandum of which is recorded concurrently herewith (the "Lease Agreement"); and

WHEREAS, the City proposes to enter into this Site and Facility Lease with the Corporation as a material consideration for the Corporation's agreement to lease such land and improvements to the City;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

Section 1. Definitions. Capitalized terms used, but not otherwise defined, in this Site and Facility Lease shall have the meanings ascribed to them in the Lease Agreement.

Section 2. Site and Facility Lease. The City hereby leases to the Corporation and the Corporation hereby leases from the City, on the terms and conditions hereinafter set forth, those certain parcels of real property situated in Solano County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the "Site"), and those certain improvements on the Site more particularly described in Exhibit B attached hereto and made a part hereof (collectively, the "Facility").

Section 3. Term. The term of this Site and Facility Lease shall commence on the date of recordation of this Site and Facility Lease in the Office of the City Recorder of Solano County, State of California, and shall end on April 15, 2036, unless such term is extended or sooner terminated as hereinafter provided. If, on April 15, 2036, the aggregate amount of Lease Payments (as defined in and as payable under the Lease Agreement) shall not have been paid, or provision shall not have been made for their payment, then the term of this Site and Facility Lease shall be extended until such Lease Payments or Additional Payments (as defined in the Lease Agreement), if any, shall be fully paid or provision made for such payment. If, prior to April 15, 2036, all Lease Payments shall be fully paid or provision made for such payment in accordance with Section 4.4 or 10.1 of the Lease Agreement, the term of this Site and Facility Lease shall end.

Notwithstanding the foregoing, the term of this Site and Facility Lease shall not end so long as any amounts are owed to AGM with respect to the Municipal Bond Insurance Policy, the Reserve Fund Municipal Bond Insurance Policy or the Insurance Agreement (as such capitalized terms are defined in the Lease Agreement).

Section 4. Advance Rental Payment. The City agrees to lease the Site and the Facility to the Corporation in consideration of the payment by the Corporation of an advance rental

payment of _____ dollars ($_____). The City and the Corporation agree that by reason of the sale of the Certificates and deposit of proceeds pursuant to the provisions of the Trust Agreement, dated as of April 1, 2011, by and among the City, the Corporation and U.S. Bank National Association, as trustee thereunder (the "Trust Agreement"), the advance rental payment referenced in the preceding sentence shall be deemed to have been paid.

Section 5. Purpose. The Corporation shall use the Site and the Facility solely for the purpose of leasing the Site and the Facility to the City pursuant to the Lease Agreement and for such purposes as may be incidental thereto; *provided, however*, that in the event of default by the City under the Lease Agreement, the Corporation and its assigns may exercise the remedies provided in the Lease Agreement.

Section 6. City's Interest in the Site and the Facility. The City covenants that it is the owner in fee of the Site and the Facility.

Section 7. Assignments and Subleases. Unless the City shall be in default under the Lease Agreement, the Corporation may not assign its rights under this Site and Facility Lease or sublet the Site or the Facility, except as provided in the Lease Agreement, without the prior written consent of the City and AGM.

Section 8. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Site and the Facility at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 9. Termination. The Corporation agrees, upon the termination of this Site and Facility Lease, to quit and surrender the Site and the Facility in the same good order and condition as the same were in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Site at the time of the termination of this Site and Facility Lease shall remain thereon and title thereto shall vest in the City.

Section 10. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Site and Facility Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Corporation, the City may exercise any and all remedies granted by law, except that no merger of this Site and Facility Lease and of the Lease Agreement shall be deemed to occur as a result thereof and the City shall have no right to terminate this Site and Facility Lease as a remedy for such default; *provided, however,* that so long as any Certificates are Outstanding and unpaid in accordance with the terms thereof, the Lease Payments assigned by the Corporation to the Trustee under the Assignment Agreement shall continue to be paid to the Trustee.

Section 11. Quiet Enjoyment. The Corporation, at all times during the term of this Site and Facility Lease, shall peaceably and quietly have, hold and enjoy all of the Site subject to the provisions of the Lease Agreement and the Trust Agreement.

Section 12. Waiver of Personal Liability. All liabilities under this Site and Facility Lease on the part of the Corporation are solely liabilities of the Corporation and the City hereby releases each and every, member, director, officer, employee and agent of the Corporation of and from any personal or individual liability under this Site and Facility Lease. No member, director, officer, employee or agent of the Corporation shall at any time or under any circumstances be individually or personally liable under this Site and Facility Lease for anything done or omitted to be done by the Corporation hereunder.

Section 13. Taxes. All assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Site and the Facility (including both land and improvements) will be paid in accordance with the Lease Agreement.

Section 14. Eminent Domain. In the event the whole or any part of the Site or the Facility thereon is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is hereby determined to be the amount of the then unpaid Certificates including the unpaid principal and interest with respect to any then outstanding Certificates and, subject to the provisions of the Lease Agreement, the balance of the award, if any, shall be paid to the City.

Section 15. Use of the Proceeds. The City and the Corporation hereby agree that the lease to the Corporation of the City's right and interest in the Site and the Facility pursuant to Section 1 serves the public purposes of the City by providing funds to enable the City to finance the Project.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site and Facility Lease shall, to any extent, be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding, order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site and Facility Lease shall be affected thereby, and each provision of this Site and Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Notices. All notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered mail, return receipt requested, postage prepaid, and, if to the City, addressed to the City in care of the Finance Director, City of Benicia, 250 East L Street, Benicia, CA 94510, or if to the Corporation, addressed to the Corporation in care of the Secretary/Treasurer, Public Property Financing Corporation of California, 2945 Townsgate Road, Suite 200, Westlake Village, CA 91361, if to AGM, addressed to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy Nos. _____-N and _____-R, Telephone: (212) 826 0100; Fax: (212) 339-3556, or to such other addresses as the respective parties may from time to time designate by notice in writing.

Section 18. Binding Effect. This Site and Facility Lease shall inure to the benefit of and shall be binding upon the City and the Corporation and their respective successors and assigns. AGM shall be deemed to be a third party beneficiary of this Site and Facility Lease.

Section 19. Amendment. This Site and Facility Lease may not be amended except as permitted under Section 10.01 of the Trust Agreement.

Section 20. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site and Facility Lease.

Section 21. Applicable Law. This Site and Facility Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 22. Execution in Counterparts. This Site and Facility Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

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

CITY OF BENICIA

By _____
Finance Director

Attest:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By _____
Secretary/Treasurer

[NOTARY ACKNOWLEDGMENTS TO BE ATTACHED]

EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situated in Solano County, State of California, described as follows:

PARCEL ONE (*Benicia City Hall Site)*:

A PORTION OF PARCEL "B" AS DEPICTED ON THAT CERTAIN PARCEL MAP RECORDED ON NOVEMBER 26, 1985, IN BOOK 29 OF PARCEL MAPS, PAGE 10, SOLANO COUNTY RECORDER'S OFFICE, MORE PARTICULARLY DESCRIBED AS:

BEGINNING AT THE NORTHEASTERLY MOST CORNER OF SAID PARCEL "B", BEING THE INTERSECTION OF THE TWO COURSES BEARING NORTH 30 DEGREES 00'19" EAST 270.78 FEET AND NORTH 59 DEGREES 59'41" WEST 830.59 FEET; THENCE ALONG THE EASTERLY LINE OF SAID PARCEL "B", SOUTH 30 DEGREES 00'19" WEST, 270.78 FEET TO THE SOUTHERLY CORNER OF SAID PARCEL "B" BEING A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF THE PUBLIC STREET KNOWN AS EAST "K" STREET; THENCE ALONG THE SOUTHERLY LINE OF SAID PARCEL "B" NORTH 60 DEGREES 00'26" WEST 261.43 FEET; THENCE DEPARTING FROM SAID SOUTHERLY LINE NORTH 29 DEGREES 59'34" EAST 16.56 FEET; THENCE NORTH 59 DEGREES 59'41" WEST 12.00 FEET; THENCE NORTH 30 DEGREES 00'19" EAST 254.28 FEET TO THE NORTHERLY LINE OF SAID PARCEL "B" ALSO BEING THE SOUTHERLY RIGHT OF WAY LINE OF THE PUBLIC STREET KNOWN AS EAST "L" STREET; THENCE ALONG THE NORTHERLY LINE OF SAID PARCEL "B" SOUTH 59 DEGREES 59'41" EAST 273.44 FEET TO THE POINT OF BEGINNING.

PORTION OF A.P.N. 0088-141-060

PARCEL TWO (*Clocktower Fortress Site)*:

BEGINNING AT POINT THAT LIES SOUTH 63 DEGREES 00' EAST 20.00 FEET AND NORTH 27 DEGREES 00" EAST, 15.00 FEET MORE OR LESS FROM THE MOST NORTHEASTERLY CORNER OF THE CLOCK TOWER, SAID NORTHEASTERLY CORNER BEARING SOUTH 21 DEGREES 42'37" EAST, 3946.82 FEET FROM THE SOUTHEASTERLY TERMINUS OF THE COURSE SHOWN AS "NORTH 6 DEGREES 41'59" WEST, 740.83 FEET" ON THE RECORD SURVEY FILED IN BOOK 9 OF SURVEYS AT PAGE 11, SOLANO COUNTY RECORDS, AND THE CLOCK TOWER BEING DESIGNATED AS BUILDING NO. 29 ON THE RECORDS AND MAPS OF FORMER BENICIA ARSENAL BENICIA, CALIFORNIA, SAID POINT LYING ON THE NORTHERLY EDGE OF THE PRESENT IMPROVED WIDTH OF THE STREET KNOWN AS WASHINGTON STREET; THENCE SOUTHWESTERLY ON A LINE PARALLEL WITH AND 20.00 FEET DISTANT AT RIGHT ANGLES FROM THE MOST SOUTHEASTERLY FACE OF SAID BUILDING NO. 29, 125 FEET MORE OR LESS TO A POINT ON THE NORTHERLY EDGE OF THE PRESENT IMPROVED WIDTH OF SAID WASHINGTON STREET; THENCE SOUTHERLY AND WESTERLY ALONG THE WESTERLY AND NORTHERLY EDGE OF SAID WASHINGTON STREET, 950 FEET MORE OR LESS TO A POINT ON THE SOUTHWESTERLY EXTENSTION OF A LINE BEING 55.00 DISTANT AT RIGHT ANGLES AND RUNNING PARALLEL TO THE WESTERLY FACE OF THE COMMANDANT'S HOUSE (THE MOST WESTERLY CORNER OF SAID COMMANDANT'S HOUSE BEARING SOUTH 13 DEGREES 24'39" EAST, 3504.40 FEET FROM THE SOUTHEASTERLY TERMINUS OF THE COURSE SHOWN AS NORTH 6 DEGREES 41'59" WEST, 740.83 FEET" ON THE RECORD OF SURVEY FILED IN BOOK 9 OF SURVEYS AT PAGE 11, SOLANO COUNTY RECORDS); THENCE NORTHEASTERLY ALONG SAID LINE 490 FEET MORE OR LESS; THENCE EASTERLY 280 FEET MORE OR LESS; THENCE SOUTHEASTERLY, 510 FEET MORE OR LESS TO THE POINT OF BEGINNING.

A.P.N. 0080-140-090

EXHIBIT B

DESCRIPTION OF THE FACILITY

The Benicia City Hall. The current City Hall is the former Benicia High School complex and was completed in 1926. The building was designed by George C. Sellon, the first State Architect of the State of California. The original school building was designed to accommodate 200 students and the auditorium, along with its balcony, could seat 400. The auditorium was used for assemblies and study hall and, at one time, a library occupied the rear corner. By 1961, the High School complex had become too small for a growing community and the Benicia High School moved to its present location on Military West. The City then purchased the complex and renovated it into the current City Hall. All City government functions are conducted in the City Hall complex which includes the City Council Chambers.

The Clocktower Fortress. Built in 1859, this sandstone military bastion was strategically built atop Army Point to control the key passageway of Carquinez Strait to the gold mines of the interior and was designed to protect the post from Indian attacks, although the "Old Fort" never fired a shot in anger, even during the alarms of Civil War days.

The three-story structure was as much a fort as storehouse, with its roof crenellated with battlements, and its two towers, like castle keeps, topped by lookouts. These were actually shot towers for the casting of balls for cartridges. The walls were pierced by apertures for cannon, and by slits for defensive, close-in, musket fire. In 1912 a fire resulted in an explosion which decapitated the building. The gutted fortress was rebuilt two years later as a two-story building but with one tower. The name was changed from Old Fort to The Clocktower. The six-day Seth Thomas clock (now stopped) set into its tower was operated by a mechanism consisting of an unwinding cable, weighted by a cannon ball, on a windlass. Still a large building, its upstairs hall is the largest community facility in Benicia, with a maximum capacity of 750 people (536 seating capacity), serving a variety of uses from community civic functions to dances, private parties, and receptions. It is located in the Arsenal at 1189 Washington Street.

LEASE AGREEMENT

Dated as of April 1, 2011

by and between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Lessor

and the

CITY OF BENICIA, as Lessee

(2011 Energy Conservation Projects)

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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease Agreement"), dated for convenience as of April 1, 2011, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as lessor (the "Corporation"), and the CITY OF BENICIA, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws of the State of California, as lessee (the "City");

W I T N E S S E T H:

WHEREAS, pursuant to that certain Site and Facility Lease, dated as of April 1, 2011 (the "Site and Facility Lease"), the City has leased those certain parcels of real property situated in Solano County, State of California, more particularly described in Exhibit A attached hereto and made a part hereof (the "Site"), and those certain improvements thereon, more particularly described in Exhibit B hereto (the "Facility" and, with the Site, the "Property"), to the Corporation, all for the purpose of enabling the City to finance various energy conservation projects throughout the geographic boundaries of the City (the "Projects");

WHEREAS, the Corporation proposes to lease the Property to the City pursuant to this Lease Agreement and to assign its right to receive lease payments under this Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interest and rights under this Lease Agreement in the event of a default hereunder by the City, to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to that certain Assignment Agreement, dated as of April 1, 2011, by and between the Corporation and the Trustee;

WHEREAS, pursuant to that certain Trust Agreement, dated as of April 1, 2011, by and among the City, the Corporation and the Trustee, the Trustee will execute and deliver certificates of participation (the "Certificates") in the Lease Payments; and

WHEREAS, the proceeds of the Certificates, together with other available moneys, will be applied by the City to (a) finance the Projects, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease Agreement shall have the respective meanings specified in Section 1.01 of the Trust Agreement, dated as of April 1, 2011, by and among the City, the Corporation and the Trustee.

Section 1.2. 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 mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and 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 Lease Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3. Exhibits. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement:

Exhibit A: The description of the Site.

Exhibit B: The description of the Facility.

Exhibit C: The schedule of Lease Payments to be paid by the City hereunder with respect to the Property, showing the Lease Payment Date and amount of each such Lease Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the City. The City represents, covenants and warrants to the Corporation and to AGM as follows:

(a) *Due Organization and Existence*. The City is a political subdivison, duly organized and existing under and by virtue of the laws of the State.

(b) *Authorization*. The laws of the State authorize the City to enter into the Site and Facility Lease, this Lease Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out the City's obligations under all of the aforesaid agreements, the City has duly authorized and executed all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the City, enforceable against the City in accordance with their respective terms.

(c) *No Violations*. Neither the execution and delivery of the Site and Facility Lease, this Lease Agreement or the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction, agreement or instrument to which the City is now a party or by which the City is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the City, or upon the Property, except Permitted Encumbrances.

(d) *Execution and Delivery*. The City has duly authorized and executed this Lease Agreement in accordance with all applicable laws.

Section 2.2. Representations, Covenants and Warranties of Corporation. The Corporation represents, covenants and warrants to the City and to AGM as follows:

(a) *Due Organization and Existence*. The Corporation is a nonprofit, public benefit corporation, organized and existing under and by virtue of the laws of the State; has power to enter into the Site and Facility Lease, this Lease Agreement, the Assignment Agreement and the Trust Agreement; is possessed of full power to own and hold, improve and equip real and personal property and to lease and sell the same; has duly authorized the execution and delivery of all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(b) *No Encumbrances*. The Corporation will not pledge the Lease Payments or other amounts derived from the Property and from its other rights under this Lease Agreement and will not mortgage or encumber the Property, except as provided under the terms of this Lease Agreement and the Trust Agreement.

(c) *No Violations*. Neither the execution and delivery of the Site and Facility Lease, this Lease Agreement, the Assignment Agreement or the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance

whatsoever upon any of the property or assets of the Corporation, or upon the Property, except Permitted Encumbrances.

(d) *No Assignments*. Except as provided herein, the Corporation will not assign this Lease Agreement, its right to receive Lease Payments from the City or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(e) *Execution and Delivery*. The Corporation has duly authorized and executed this Lease Agreement in accordance with all applicable laws.

ARTICLE III

DEPOSIT OF MONEYS

Section 3.1. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates, net of amounts paid by the Original Purchaser to AGM as an accommodation to the City for the premiums relating to the Municipal Bond Insurance Policy and the Reserve Fund Municipal Bond Insurance Policy. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, amounts estimated to be required to pay Project Costs, shall be deposited in the Project Fund, and an amount equal to capitalized interest with respect to the Certificates shall be deposited in the Lease Payment Fund.

Section 3.2. Payment of Project Costs. Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.02 of the Trust Agreement.

Section 3.3. Payment of Delivery Costs. Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Lease.

(a) The Corporation hereby leases the Property to the City, and the City hereby leases the Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement.

(b) The leasing of the Property by the City to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the City's leasehold estate pursuant to this Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Section 4.2. Term of Agreement.

(a) The Term of the Lease Agreement shall commence on the Closing Date, and shall end on April 15, 2036, unless such term is extended as hereinafter provided. If, on April 15, 2036, the Trust Agreement shall not be discharged by its terms or if the Lease Payments or Additional Payments, if any, payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to this Section 4.2 until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond April 15, 2046. If, prior to April 15, 2036, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end.

Notwithstanding the foregoing, the Term of the Lease Agreement shall not end so long as any amounts are owed to AGM with respect to the Municipal Bond Insurance Policy, the Reserve Fund Municipal Bond Insurance Policy or the Insurance Agreement.

Section 4.3. Possession. The City hereby agrees to accept and take possession of the Property on or prior to the date of recordation of this Lease Agreement. The first Lease Payment shall be due on October 1, 2011.

Section 4.4. Lease Payments.

(a) *Obligation to Pay*. Subject to the provisions of Articles VI and X hereof, the City agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in Exhibit C hereto, to be due and payable on the respective Lease Payment Dates specified in Exhibit C hereto. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Article X hereof and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

(b) *Effect of Prepayment*. In the event that the City prepays all remaining Lease Payments and all Additional Payments due under Section 4.7 hereof in full pursuant to Article X hereof, subject to Section 4.2(b) hereof, the City's obligations under this Lease Agreement shall thereupon cease and terminate including, but not limited to, the City's obligation to pay Lease Payments under this Section 4.4; subject however, to the provisions of Section 10.1 hereof in the case of prepayment by application of a security deposit. In the event that the City optionally prepays the Lease Payments in part but not in whole pursuant to Section 10.2 hereof or pursuant to Section 10.3 hereof as a result of any insurance or condemnation award with respect to any portion of the Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining Lease Payment shall be reduced in such order as shall be selected by the City in integral multiples of $5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates thereby redeemed pursuant to Sections 4.01(a) or (b), as the case may be, of the Trust Agreement.

(c) *Rate on Overdue Payments*. In the event the City should fail to make any of the payments required in this Section 4.4, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

(d) *Fair Rental Value*. The Lease Payments for each Rental Period shall constitute the total rental for each such Rental Period and shall be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments for the Property represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

(e) *Source of Payments; Budget and Appropriation*. Lease Payments shall be payable from any source of available funds of the City, subject to the provisions of Articles VI and X hereof.

The City covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for Additional Payments due under Section 4.7 hereof. To that end, the Council shall direct budgetary staff to include in each annual budget proposal to the Council an appropriation sufficient to pay Lease Payments and Additional Payments. The City hereby expresses its present intent to appropriate Lease Payments and Additional Payments due under Section 4.7 hereof during the Term of the Lease Agreement. The covenants on the part of the City herein contained 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 City 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 City to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the City.

The Finance Director and all other officers charged with the duty of preparing and submitting the annual budget of the City to the Council are hereby irrevocably directed, following any draw on the Reserve Fund Municipal Bond Insurance Policy because the value of

the Property has been reduced below the total unpaid principal component of Lease Payments and the City is permitted to pay less than the total scheduled Lease Payment, all in accordance with Section 6.3 (an "Abatement Period"), to include in the proposed budget and to request that the Council include in the final approved budget, and thereby appropriate, any amounts necessary to reinstate the Reserve Fund Municipal Bond Insurance Policy, including interest due and any other amounts payable to AGM (collectively, the "Reinstatement Amount"). Such officers shall use their best efforts to obtain such appropriations.

The request for inclusion in the final approved budget and appropriation shall be made in each Fiscal Year following any Abatement Period so long as reimbursement amounts are owed to AGM. Failure by the Finance Director and other officers to request such inclusion and appropriation shall constitute an Event of Default under this Lease Agreement and AGM may exercise remedies accordingly.

The decision of the Council as to whether or not to approve and appropriate any Reinstatement Amount in any given Fiscal Year during any Abatement Period is in the sound discretion of the Council; the failure of the Council to approve and appropriate the Reinstatement Amount in any given Fiscal Year during any Abatement Period shall not constitute an Event of Default under this Lease Agreement or under the Trust Agreement.

(f) *Assignment*. The City understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City hereby assents to such assignment. The Corporation hereby directs the City, and the City hereby agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the City pursuant to this Section 4.4 and all amounts payable by the City pursuant to Article X hereof.

Section 4.5. Quiet Enjoyment. During the Term of the Lease Agreement, the Corporation shall provide the City with quiet use and enjoyment of the Property and the City shall, during such Term, peaceably and quietly have and hold and enjoy the Property without suit, trouble or hindrance from the Corporation, except as expressly set forth in this Lease Agreement. The Corporation will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in Section 7.2. hereof.

Section 4.6. Title. During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the City at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the City pursuant to Section 5.9 hereof.

If the City prepays the Lease Payments in full pursuant to Article X hereof or makes the security deposit permitted by Section 10.1 hereof, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, subject to Section 4.2(b) hereof, and pays Additional Payments, if any, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

Section 4.7. Additional Payments.

In addition to the Lease Payments, the City shall pay when due the following Additional Payments:

(a) Any fees and expenses incurred by the City in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable.

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement.

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease Agreement or the Trust Agreement.

(d) Any reasonable out-of-pocket expenses of the City in connection with the execution and delivery of this Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving this Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated hereby or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

(e) The City agrees to pay any amounts owed to AGM pursuant to Section 6.04 of the Trust Agreement. The City's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City and the City shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Property, as hereinbefore more specifically set forth. The City waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of this Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the City affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or AGM shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Corporation and AGM with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The City shall provide the Corporation and AGM with written notice of any such contest and shall provide such updates on the contest as the Corporation or AGM may reasonably request.

Section 5.2. Modification of Property. The City shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to this Section 5.2; provided that if any such lien is established and the City shall first notify the Corporation of the City's intention to do so, the City may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied

during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the City.

Section 5.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the City, the Trustee and AGM and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of AGM, in the form of self-insurance by the City. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of AGM, in the form of self-insurance by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.4. Fire and Extended Coverage Insurance; No Earthquake Insurance. The City shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; provided, however, that the City shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the City and, with the prior written consent of AGM, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof. The City may not satisfy the requirements of this Section 5.4 for fire and extended coverage insurance with self-insurance except with the prior written consent of AGM.

Section 5.5. Rental Interruption Insurance. The City shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by Section 5.4 hereof, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such

insurance may be maintained as part of or in conjunction with any other insurance carried by the City and, with the prior written consent of AGM, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The City may not satisfy the requirements of this Section 5.5 for rental interruption insurance with self-insurance.

Section 5.6. Title Insurance.

(a) The City shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances. A copy of such policy shall be delivered to AGM.

(b) The Net Proceeds of such title insurance shall be applied as provided in Section 6.2(c) hereof.

Section 5.7. Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by Sections 5.3, 5.4, 5.5 and 5.6 hereof shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required hereunder, shall name the Trustee and AGM as additional insureds and shall be applied as provided in Section 6.2 hereof. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company, unless waived by AGM. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. All policies evidencing required insurance shall provide thirty (30) days' prior written notice to the Corporation, the City, the Trustee and AGM of any cancellation, reduction in amount or material change in coverage. The Trustee shall not be responsible for the sufficiency of any insurance herein required, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered annually on or before each August 1 to the Trustee and AGM a certification, signed by a City Representative, stating compliance with the provisions of Section 5.3 through 5.7 of this Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The City shall have the adequacy of any insurance reserves maintained by the City or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by Section 5.3 and 5.4 hereof reviewed at least annually, on or before each August 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Section 5.8. Advances. If the City shall fail to perform any of its obligations under this Article V, the Corporation or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at a rate equal to the rate then payable with respect to the Certificates from the date of the advance to the date of repayment.

Section 5.9. Installation of City's Equipment. The City may, at any time and from time to time in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Property. All such items shall remain the sole property of the City in which neither the Corporation nor the Trustee shall have any interest and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the City from purchasing or leasing items to be installed pursuant to this Section 5.9 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security

for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Section 5.10. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, other than the respective rights of the Corporation and the City as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The City shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. Private Activity Bond Limitation. The City shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.12. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.13. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

Section 5.14. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates 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 Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.15. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 5.16. No Condemnation. The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain.

(a) If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the City and the Corporation, and so certified to by the parties to the Trustee, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments.

(b) The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the leased property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the leased property, the appraised value of the leased property shall not be less than the greater of (i) if such Certificates are then subject to redemption, the principal and interest components of the Certificates outstanding through the date of their redemption, or (ii) if such Certificates are not then subject to redemption, the amount necessary to defease such Certificates to the first available redemption date in accordance with the Trust Agreement.

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award*. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the City to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in Section 7.01 of the Trust Agreement.

(b) *From Eminent Domain Award*. The Net Proceeds of any eminent domain award resulting from any event described in Section 6.1 hereof shall be paid by the City to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 7.02 of the Trust Agreement.

(c) *From Title Insurance*. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in Section 7.03 of the Trust Agreement.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the

Property or any portion thereof (other than any portions of the Property described in Section 5.2 hereof) to the extent to be agreed upon by the City and the Corporation and communicated by a City Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined, upon consultation with AGM, to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified in the last sentence of Section 4.4(d)), based upon any appropriate method of valuation approved by AGM, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the City waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund, if cash funded, and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments. If an abatement event has occurred but remedied, the City shall be required to extend the Term of this Lease Agreement, as described in Section 4.2, so that amounts abated are recouped.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNIFICATION

Section 7.1. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY. IN NO EVENT SHALL THE CORPORATION OR ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE SITE AND FACILITY LEASE, THIS LEASE AGREEMENT OR THE TRUST AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROPERTY.

Section 7.2. Access to the Property. The City agrees that the Corporation and any City Representative, and the Corporation's successors or assigns, and AGM, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The City further agrees that the Corporation, any City Representative, and the Corporation's successors or assigns, and AGM, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Corporation and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under this Lease Agreement or the Trust Agreement, (iii) any act or omission of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the City with respect to the Property, (v) the authorization of payment of Project Costs, or (vi) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under this Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made under this Section 7.3 or elsewhere in this Lease Agreement for willful misconduct, negligence or breach of duty under this Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under this Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Section 8.2. Assignment and Subleasing by the City. This Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, but only with the written consent of the Corporation and AGM and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) This Lease Agreement and the obligation of the City to make Lease Payments hereunder shall remain obligations of the City;

(b) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation, the Trustee and AGM a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The City shall furnish the Corporation, the Trustee and AGM with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Notwithstanding the foregoing, the City may sublease the Property to the Corporation in connection with a future certificates of participation or lease revenue bond financing without the necessity to comply with any of the foregoing conditions, so long as the total of the unpaid principal component of the Lease Payments and the principal component of the lease payments to be paid with respect to such future certificates of participation or lease revenue bond financing does not exceed the value of the Property.

Section 8.3. Amendment of Lease Agreement.

(a) *Substitution of Site or Facility*. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the City shall file with the Corporation, the Trustee and AGM an amended Exhibit A to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the City shall file with the Corporation, the Trustee and AGM an amended Exhibit A to this Lease Agreement which adds thereto a

description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the City shall file with the Corporation, the Trustee and AGM an amended Exhibit B to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the City shall file with the Corporation, the Trustee and AGM an amended Exhibit B to this Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The City shall certify in writing to the Corporation, the Trustee and AGM that such Substitute Site and/or Substitute Facility serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(vi) The City delivers to the Trustee, the Corporation and AGM evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to Section 12.03 of the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(viii) The City shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The City shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the City or the Corporation;

(x) The City shall furnish the Corporation, the Trustee and AGM with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xi) AGM shall provide prior written consent to such substitution.

(b) *Release of Site*. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Corporation, the Trustee and AGM an amended Exhibit A to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City shall file with the Corporation, the Trustee and AGM an amended Exhibit A to this Lease Agreement which describes the Site, as revised by such release;

(iii) The City delivers to the Trustee, the Corporation and AGM evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to Section 12.03 of the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(v) The City shall obtain an amendment to the title insurance policy required pursuant to Section 5.6 hereof which describes the Site, as revised by such release;

(vi) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Corporation; and

(vii) AGM shall provide prior written consent to such release.

(c) *Release of Facility*. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Corporation, the Trustee and AGM an amended Exhibit B to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The City shall file with the Corporation, the Trustee and AGM an amended Exhibit B to this Lease Agreement which describes the Facility, as revised by such release;

(iii) The City delivers to the Trustee, the Corporation and AGM evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to Section 12.03 of the Trust Agreement applies with respect to the Facility, as revised by such release;

(iv) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(v) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City or the Corporation; and

(vi) AGM shall provide prior written consent to such release.

(d) *Generally*. The Corporation and the City may at any time amend or modify any of the provisions of this Lease Agreement, but only (i) with the prior written consent of AGM, or if AGM is in breach of its obligation under the Municipal Bond Insurance Policy, the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but with the prior written consent of AGM, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in this Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be "events of default" under this Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease Agreement (including failure to request appropriation pursuant to Section 4.4(e) hereof) or under the Trust Agreement, other than as referred to in clause (a) of this Section 9.1, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee, AGM or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; provided further, however, that no grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of AGM.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Section 9.2. Remedies on Default. The Trustee, acting at the direction of AGM, shall have the right to re-enter and re-let the Property and to terminate this Lease Agreement. AGM shall have the right to control all remedies for default under both this Lease Agreement and the Trust Agreement.

Whenever any Event of Default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however*, that notwithstanding anything herein or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate this Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the City shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein

contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) In the event the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to enter upon and re-lease the Property in the event of default by the City in the performance of any covenants herein contained to be performed by the City and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Solano County, for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The City hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property. The City agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) hereof.

(b) In an Event of Default hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of this Lease Agreement by the Corporation at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate this Lease Agreement. The City covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Section 9.3. No Remedy Exclusive. No remedy herein is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party; *provided, however*, that the Trustee shall not be required to expend its own funds for any payment described in this Section 9.4.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Property under this Article IX, and all other amounts derived by the Corporation or the Trustee as a result of an Event of Default hereunder, shall be transferred to the Trustee promptly upon receipt thereof and after payment of all fees and expenses of the Trustee, including indemnifications and attorneys fees, shall be deposited by the Trustee in the Lease Payment Fund to be applied to the Lease Payments in order of payment date.

Section 9.7. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Assignment Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee, AGM and the Owners of the Certificates as provided in the Trust Agreement and herein.

Section 9.8. No Right to Terminate for Corporation Default. The City shall not have the right to terminate this Lease Agreement as a remedy for a default by the Corporation in the performance of its obligations hereunder.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the City may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in Section 15.01(b) of the Trust Agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to AGM), together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a City Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such City Representative's certificate, including the principal and interest components thereof, or (ii) defeasance obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to AGM), be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid City Representative's certificate.

In the event of a deposit pursuant to this Section 10.1 as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee and the payment of all amounts due to AGM, all obligations of the City under this Lease Agreement shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City pursuant to this Section 10.1 and the obligations of the City pursuant to Section 5.13 hereof and title to the Property shall vest in the City on the date of said deposit automatically and without further action by the City or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments provided for by this Section 10.1 and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the City for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions hereof. In addition, the Corporation hereby appoints the City as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the City.

Section 10.2. Prepayment Option. The Corporation hereby grants an option to the City to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments as set forth in Exhibit C hereto, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with the premium set forth below (expressed as a percentage of the total principal amount prepaid), and accrued interest to the date fixed for prepayment:

Date of Prepayment	Premium
April 1, 2017 though March 31, 2018	2%
April 1, 2018 though March 31, 2019	1
April 1, 2019 and thereafter	0

Said option may be exercised with respect to Lease Payments due on and after April 1, 2018, in whole or in part on any date, commencing April 1, 2017. Said option shall be exercised by the City by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date, or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the City.

Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

Notwithstanding the foregoing, the City shall not be permitted to prepay any Lease Payments if any amounts are owed to AGM with respect to the Municipal Bond Insurance Policy or the Reserve Fund Municipal Bond Insurance Policy.

Section 10.3. Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The City shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose pursuant to Article VI hereof and Article VII of the Trust Agreement. The City and the Corporation hereby agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the City's obligations under this Section 10.3. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

Section 10.4. Special Optional Prepayment From Excess Proceeds of the Certificates. The Corporation hereby grants an option to the City to prepay the Lease Payments, in part on any date on and after April 1, 2013, not to exceed $500,000, from and to the extent of any moneys remaining in the Project Fund following the Completion Date, in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

Notwithstanding the foregoing, the City shall not be permitted to prepay any Lease Payments if any amounts are owed to AGM with respect to the Municipal Bond Insurance Policy or the Reserve Fund Municipal Bond Insurance Policy.

Section 10.5. Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Lease Payments in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, remaining

amounts on deposit in the Lease Payment Fund or the Reserve Fund shall be credited towards the amounts then required to be so prepaid.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in first-class form with postage fully prepaid:

If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: Secretary/Treasurer Phone: (805) 267-7141
If to the City:	City of Benicia 250 East L Street Benicia, CA 94510 Attention: Finance Director Phone: (707) 746-4225
If to the Trustee:	U.S. Bank National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Corporate Trust Services Phone: (415) 273-4580
If to AGM:	Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) 31 West 52nd Street New York, NY 10019 Attention: Managing Director – Surveillance Re: Policy No. _____-N Re: Reserve Fund Policy No. _____-R Phone: (212) 826-0100 Fax: (212) 339-3556

The Corporation, the City, AGM and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Information to be Given to AGM.

(a) The City shall provide AGM with the following information:

(i) the fiscal year budget of the City within thirty (30) days after adoption of such budget;

(ii) not later than one hundred fifty (150) days after the end of the fiscal year, audited financial statements of the City prepared by an independent certified public accountant, together with a certificate of the City stating that no event of default has occurred or is continuing under this Lease Agreement or the Trust Agreement;

(iii) prior to the incurrence of additional general fund-secured obligations, any disclosure document or financing agreement pertaining to such additional obligations, which disclosure document or financing agreement shall include, without limitation, the

applicable maturity schedule, interest rate or rates, redemption and security provisions pertaining to any such additional obligations;

(iv) within thirty (30) days following any litigation or investigation that may have a material adverse affect on the financial position of the City of such litigation;

(v) immediate notice of any draw on the debt service reserve fund;

(vi) notice of any Event of Default known to the City within five Business Days after knowledge thereof;

(vii) any event of abatement under this Lease Agreement;

(viii) prior notice of the advance refunding or redemption of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(ix) notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(x) notice of the commencement of any proceeding by or against the City or the Corporation commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(xi) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Certificates;

(xii) a full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Trust Agreement, the Site and Facility Lease and/or this Lease Agreement; and

(xiii) all reports, notices and correspondence to be delivered to Owners under the terms of the Trust Agreement and/or this Lease Agreement.

(b) The City will permit AGM to discuss the affairs, finances and accounts of the City or any information AGM may reasonably request regarding the security for the Lease Payments with appropriate officers of the City. The City will permit AGM to have access to the Property and have access to and to make copies of all books and records relating to the Certificates at any reasonable time upon reasonable notice on any Business Day.

AGM shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AGM shall be deemed an Event of Default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner.

Section 11.3. AGM as Third Party Beneficiary. To the extent that this Lease Agreement confers upon or gives or grants to AGM any right, remedy or claim under or by reason of this Lease Agreement, AGM is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 11.4 Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the City and their respective successors and assigns.

Section 11.5. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.6. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the City hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 11.7. Further Assurances and Corrective Instruments. The Corporation and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intentions of this Lease Agreement.

Section 11.8. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.9. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.10. Corporation and City Representatives. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the City is required, or the Corporation or the City is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by a Corporation Representative and for the City by a City Representative, and each party hereto shall be authorized to rely upon any such approval or request.

Section 11.11. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Lease Agreement to be executed in its name by its duly authorized officers; and the City has caused this Lease Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By _____
Secretary/Treasurer

CITY OF BENICIA

By _____
Finance Director

Attest:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

EXHIBIT A

DESCRIPTION OF THE SITE

All that certain real property situated in Solano County, State of California, described as follows:

PARCEL ONE (*Benicia City Hall Site)*:

A PORTION OF PARCEL "B" AS DEPICTED ON THAT CERTAIN PARCEL MAP RECORDED ON NOVEMBER 26, 1985, IN BOOK 29 OF PARCEL MAPS, PAGE 10, SOLANO COUNTY RECORDER'S OFFICE, MORE PARTICULARLY DESCRIBED AS:

BEGINNING AT THE NORTHEASTERLY MOST CORNER OF SAID PARCEL "B", BEING THE INTERSECTION OF THE TWO COURSES BEARING NORTH 30 DEGREES 00'19" EAST 270.78 FEET AND NORTH 59 DEGREES 59'41" WEST 830.59 FEET; THENCE ALONG THE EASTERLY LINE OF SAID PARCEL "B", SOUTH 30 DEGREES 00'19" WEST, 270.78 FEET TO THE SOUTHERLY CORNER OF SAID PARCEL "B" BEING A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF THE PUBLIC STREET KNOWN AS EAST "K" STREET; THENCE ALONG THE SOUTHERLY LINE OF SAID PARCEL "B" NORTH 60 DEGREES 00'26" WEST 261.43 FEET; THENCE DEPARTING FROM SAID SOUTHERLY LINE NORTH 29 DEGREES 59'34" EAST 16.56 FEET; THENCE NORTH 59 DEGREES 59'41" WEST 12.00 FEET; THENCE NORTH 30 DEGREES 00'19" EAST 254.28 FEET TO THE NORTHERLY LINE OF SAID PARCEL "B" ALSO BEING THE SOUTHERLY RIGHT OF WAY LINE OF THE PUBLIC STREET KNOWN AS EAST "L" STREET; THENCE ALONG THE NORTHERLY LINE OF SAID PARCEL "B" SOUTH 59 DEGREES 59'41" EAST 273.44 FEET TO THE POINT OF BEGINNING.

PORTION OF A.P.N. 0088-141-060

PARCEL TWO (*Clocktower Fortress Site)*:

BEGINNING AT POINT THAT LIES SOUTH 63 DEGREES 00' EAST 20.00 FEET AND NORTH 27 DEGREES 00" EAST, 15.00 FEET MORE OR LESS FROM THE MOST NORTHEASTERLY CORNER OF THE CLOCK TOWER, SAID NORTHEASTERLY CORNER BEARING SOUTH 21 DEGREES 42'37" EAST, 3946.82 FEET FROM THE SOUTHEASTERLY TERMINUS OF THE COURSE SHOWN AS "NORTH 6 DEGREES 41'59" WEST, 740.83 FEET" ON THE RECORD SURVEY FILED IN BOOK 9 OF SURVEYS AT PAGE 11, SOLANO COUNTY RECORDS, AND THE CLOCK TOWER BEING DESIGNATED AS BUILDING NO. 29 ON THE RECORDS AND MAPS OF FORMER BENICIA ARSENAL BENICIA, CALIFORNIA, SAID POINT LYING ON THE NORTHERLY EDGE OF THE PRESENT IMPROVED WIDTH OF THE STREET KNOWN AS WASHINGTON STREET; THENCE SOUTHWESTERLY ON A LINE PARALLEL WITH AND 20.00 FEET DISTANT AT RIGHT ANGLES FROM THE MOST SOUTHEASTERLY FACE OF SAID BUILDING NO. 29, 125 FEET MORE OR LESS TO A POINT ON THE NORTHERLY EDGE OF THE PRESENT IMPROVED WIDTH OF SAID WASHINGTON STREET; THENCE SOUTHERLY AND WESTERLY ALONG THE WESTERLY AND NORTHERLY EDGE OF SAID WASHINGTON STREET, 950 FEET MORE OR LESS TO A POINT ON THE SOUTHWESTERLY EXTENSTION OF A LINE BEING 55.00 DISTANT AT RIGHT ANGLES AND RUNNING PARALLEL TO THE WESTERLY FACE OF THE COMMANDANT'S HOUSE (THE MOST WESTERLY CORNER OF SAID COMMANDANT'S HOUSE BEARING SOUTH 13 DEGREES 24'39" EAST, 3504.40 FEET FROM THE SOUTHEASTERLY TERMINUS OF THE COURSE SHOWN AS NORTH 6 DEGREES 41'59" WEST, 740.83 FEET" ON THE RECORD OF SURVEY FILED IN BOOK 9 OF SURVEYS AT PAGE 11, SOLANO COUNTY RECORDS); THENCE NORTHEASTERLY ALONG SAID LINE 490 FEET MORE OR LESS; THENCE EASTERLY 280 FEET MORE OR LESS; THENCE SOUTHEASTERLY, 510 FEET MORE OR LESS TO THE POINT OF BEGINNING.

A.P.N. 0080-140-090

EXHIBIT B

DESCRIPTION OF THE FACILITY

The Benicia City Hall. The current City Hall is the former Benicia High School complex and was completed in 1926. The building was designed by George C. Sellon, the first State Architect of the State of California. The original school building was designed to accommodate 200 students and the auditorium, along with its balcony, could seat 400. The auditorium was used for assemblies and study hall and, at one time, a library occupied the rear corner. By 1961, the High School complex had become too small for a growing community and the Benicia High School moved to its present location on Military West. The City then purchased the complex and renovated it into the current City Hall. All City government functions are conducted in the City Hall complex which includes the City Council Chambers.

The Clocktower Fortress. Built in 1859, this sandstone military bastion was strategically built atop Army Point to control the key passageway of Carquinez Strait to the gold mines of the interior and was designed to protect the post from Indian attacks, although the "Old Fort" never fired a shot in anger, even during the alarms of Civil War days.

The three-story structure was as much a fort as storehouse, with its roof crenellated with battlements, and its two towers, like castle keeps, topped by lookouts. These were actually shot towers for the casting of balls for cartridges. The walls were pierced by apertures for cannon, and by slits for defensive, close-in, musket fire. In 1912 a fire resulted in an explosion which decapitated the building. The gutted fortress was rebuilt two years later as a two-story building but with one tower. The name was changed from Old Fort to The Clocktower. The six-day Seth Thomas clock (now stopped) set into its tower was operated by a mechanism consisting of an unwinding cable, weighted by a cannon ball, on a windlass. Still a large building, its upstairs hall is the largest community facility in Benicia, with a maximum capacity of 750 people (536 seating capacity), serving a variety of uses from community civic functions to dances, private parties, and receptions. It is located in the Arsenal at 1189 Washington Street.

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

Lease Payment Date	Principal Component	Interest Component	Total Lease Payment	Annual Lease Payment
10/01/11				
04/01/12				
10/01/12				
04/01/13				
10/01/13				
04/01/14				
10/01/14				
04/01/15				
10/01/15				
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10/01/34				
04/01/35				
10/01/35				
04/01/36				

IX.D.60

TRUST AGREEMENT

Dated as of April 1, 2011

by and among

U.S. BANK NATIONAL ASSOCIATION, as Trustee,

the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and the

CITY OF BENICIA, CALIFORNIA

(2011 Energy Conservation Projects)

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EXHIBIT A: DEFINITIONS
EXHIBIT B: FORM OF THE CERTIFICATES
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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of April 1, 2011, by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the CITY OF BENICIA, a municipal corporation and general law city, organized and existing under the laws of the State of California (the "City");

W I T N E S S E T H:

WHEREAS, the City and the Corporation have entered into a lease agreement, dated as of the date hereof (the "Lease Agreement"), whereby the Corporation has agreed to lease certain real property and improvements (collectively, the "Property") to the City and the City has agreed to lease the Property from the Corporation;

WHEREAS, for the purpose of obtaining the moneys required to be deposited by it with the Trustee all for the purpose of enabling the City to finance various energy conservation projects throughout the geographic boundaries of the City (the "Projects"), the Corporation proposes to assign and transfer certain of its rights under the Lease Agreement to the Trustee, and the Trustee has agreed to execute and deliver certificates of participation, each evidencing a direct, fractional interest in lease payments made by the City under the Lease Agreement, to provide the moneys required herein to be deposited by the Corporation; and

WHEREAS, the proceeds of the Certificates, together with other available moneys, will be applied by the City to (a) finance the Projects, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The terms defined in Exhibit A attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Trust Agreement, have the meanings ascribed to them in said Exhibit A unless the context clearly requires some other meaning.

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

Section 1.03. 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 mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and 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 Trust Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

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

EXHIBIT A: DEFINITIONS

EXHIBIT B: FORM OF THE CERTIFICATES

EXHIBIT C: DESCRIPTION OF THE PROJECTS

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser identified in such written request, Certificates in an aggregate principal amount of _____ dollars ($_____) evidencing direct, undivided fractional interests of the Owners thereof in the Lease Payments.

Section 2.02. Date; Payment of Interest. Each Certificate shall be dated as of the Closing Date. Interest with respect thereto shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before October 1, 2011, in which event interest with respect thereto shall be payable from the Closing Date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Section 2.03. Maturity; Interest Rates; Percentages.

(a) *Maturity; Interest Rates*. The Certificates shall mature on April 15 in each of the respective years, and in the respective amounts, except that no Certificate may have principal maturing in more than one year, and interest represented thereby shall be computed at the respective rates, as follows:

Maturity Date (April 15)	Principal Amount	Interest Rate	Maturity Date (April 15)	Principal Amount	Interest Rate

(b) *Payments With Respect to Certificates Equal to Total Lease Payments*. The total principal and interest due with respect to all Certificates shall not exceed the total Lease Payments due under the Lease Agreement.

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Section 2.04. Interest. Interest represented by the Certificates shall be payable on each Interest Payment Date to and including the date of maturity or redemption, whichever is earlier, as provided in Section 2.10 hereof. Said interest shall represent the portion of Lease Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date. The portion of Lease Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Lease Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.05. Forms. The Certificates shall be delivered in the form of fully registered Certificates without coupons in the denomination of $5,000 or any integral multiple thereof. The Certificates shall be numbered consecutively, beginning with R-1. The Certificates shall be substantially in the form set forth in Exhibit B attached hereto and by this reference incorporated herein.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or signatory of the Trustee. If any officer or signatory whose signature appears on any Certificate ceases to be such officer or signatory before the date of delivery of said Certificate, such signature shall nevertheless be as effective as if the officer or signatory had remained in office until such date.

Section 2.07. Application of Proceeds. The net proceeds received by the Trustee from the sale of the Certificates in the aggregate amount of $_____, being the face amount of the Certificates ($_____), less an underwriter's discount of $_____, plus a net original issue premium of $_____, less the sum of $_____ transferred to AGM in payment of the premium for the Municipal Bond Insurance Policy (paid as an accommodation to the City) and less the sum of $_____ transferred to AGM in payment of the premium for the Reserve Fund Municipal Bond Insurance Policy (paid as an accommodation to the City), shall forthwith be deposited by the Trustee in the following respective funds:

(a) The Trustee shall deposit in the Project Fund an amount equal to $_____;

(b) The Trustee shall deposit in the Delivery Costs Fund an amount equal to $_____; and

(c) The Trustee shall deposit in the Lease Payment Fund an amount equal to $_____, being a portion of interest due with respect to the Certificates through April 15, 2012.

The Trustee may establish a temporary fund or account in its records to facilitate such deposits and transfers.

Section 2.08. Transfer and Exchange.

(a) *Transfer of Certificates*. The registration of any Certificate 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 his attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection

with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

(b) *Exchange of Certificates*. Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity and amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed with a certificate of destruction furnished to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment by the City of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate executed and delivered under the provisions of this Section 2.09 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and fractionally entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate to replace a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for redemption, the Trustee may make payment with respect to such Certificate upon receipt of the aforementioned indemnity.

Section 2.10. Payment. Payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such

Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

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

(b) The fact of the ownership of Certificates by any person and the amount, the maturity and the numbers of such Certificates and the date of his holding the same shall be proved by the Registration Books.

Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee pursuant to such request or consent.

Section 2.12. Registration Books. The Trustee shall keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times be open to inspection by the City and the Corporation during regular business hours on any Business Day with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as hereinbefore provided.

Section 2.13. CUSIP Numbers. The Trustee, the City and the Corporation shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the City nor the Corporation shall be liable for any inaccuracies in such numbers.

Section 2.14. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary:

(a) The Certificates shall be initially executed, delivered and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Certificate maturing on each of the maturity dates set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the City, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the City and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of a City Representative to the Trustee, a single new Certificate shall be executed and delivered for each maturity of such Certificate then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of a City Representative. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee together with a written request of a City Representative, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in a written request of the City provided the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such a written request of a City Representative.

(c) In the case of partial redemption or an advance refunding of any Certificates evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the City's expense, deliver the Certificates to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The City and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the absolute Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City and the City and the Trustee shall have no responsibility for the accuracy of any records maintained by DTC or any participant in DTC or transmitting payments to,

communication with, notifying or otherwise dealing with any beneficial owners of the Certificates. Neither the City nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Certificate.

(e) So long as all outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the City and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and interest due with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due, in accordance with the Letter of Representations between DTC and the Trustee.

(f) So long as all Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Certificates' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of DTC's standard form blanket issuer letter of representations executed by the City and received and accepted by DTC.

ARTICLE III

ESTABLISHMENT AND DISBURSEMENT OF PROJECT FUND; ESTABLISHMENT AND DISBURSEMENT OF DELIVERY COSTS FUND

Section 3.01. Project Fund. The Trustee shall establish a special fund designated as the "Project Fund;" shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein pursuant to Section 2.07(a) hereof, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Section 3.02. Payment of Project Costs. Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a City Representative. Each such requisition shall:

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

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

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

(d) state that there has been compliance with Section 5.11 of the Lease Agreement relating to the private use limitation and the private loan limitation.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 3.02, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Section 3.03. Delivery Costs Fund. The Trustee shall establish a special fund designated as the "Delivery Costs Fund;" shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(b) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

Section 3.04. Payment of Delivery Costs. The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs.

(a) The Trustee shall disburse moneys in the Delivery Costs Fund only upon a receipt of a sequentially numbered requisition, signed by a City Representative, setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund.

(b) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with this Section 3.04, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

(c) Upon written notice from a City Representative that all Delivery Costs have been paid, but in no event later than October __, 2011, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of the Lease Payment, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the City.

Section 3.05. Transfers of Unexpended Proceeds. The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a City Representative to be required for payment of Project Costs or other capital improvements shall, on the Completion Date and following receipt by the Trustee of a Certificate of Completion, be transferred to the Lease Payment Fund and applied to pay the Lease Payments as the same become due and payable and the Project Fund shall be closed.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption.

(a) *Optional Redemption*. The Certificates maturing on or before April 15, 2017, are not subject to optional redemption prior to maturity. The Certificates maturing on and after April 15, 2018, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in pro rata among maturities) and by lot within a maturity, on or after April 15, 2017, at a redemption price equal to the principal amount thereof, together with the premium set forth below (expressed as a percentage of the total principal amount redeemed), and accrued interest to the date fixed for redemption from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement.

Redemption Periods	Redemption Premium
April 15, 2017 through April 14, 2018	2%
April 15, 2018 through April 14, 2019	1
April 15, 2019 and thereafter	0

(b) *Redemption From Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award*. The Certificates are subject to mandatory redemption in whole or in part on any date from the Net Proceeds of an insurance, title insurance, condemnation, or eminent domain award to the extent credited towards the prepayment of the Lease Payments by the City pursuant to Section 10.3 of the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

(c) *Special Redemption from Excess Proceeds*. The Certificates are subject to special mandatory redemption in part on or after April 15, 2013, from amounts, not exceeding $500,000, remaining on deposit in the Project Fund and credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

(d) *Mandatory Redemption.* The Certificates maturing on April 15, ____, are subject to mandatory redemption in part on April 15, ____, and on each April 15, thereafter, to and including April 15, ____, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to Section 4.4 of the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in Section 6.3 of the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (April 15)	Principal Amount of Certificates to be Redeemed

†Maturity.

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In the event that the Trustee shall redeem Certificates maturing on April 15, ____, in part but not in whole pursuant to subsections (a), (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (c) shall be reduced to correspond to the principal components of the Lease Payments prevailing following such redemption as determined pursuant to Section 4.4(b) of the Lease Agreement.

Section 4.02. Selection of Certificates for Redemption. Whenever provision is made in this Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are to be redeemed, the Trustee shall select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as shall be designated by the City, except for redemption pursuant to Section 4.01(d), (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee shall select Certificates for redemption within a maturity by lot in any manner which the Trustee shall, in its sole discretion, deem appropriate. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions and any such portion may be separately redeemed. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption shall be final and conclusive. Upon the occurrence of an redemption in part, the selection of Certificates to be redeemed shall be subject to the approval of AGM.

Section 4.03. Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption shall be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Registration Books maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date; (ii) the redemption price; (iii) if less than all Outstanding Certificates of a maturity are to be redeemed, the Certificate numbers (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed; (iv) that on the redemption date the redemption price will become due and payable upon each such Certificate or portion thereof called for redemption and that interest with respect thereto shall cease to accrue from and after said date; (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office; (vi) the CUSIP numbers of all Certificates being redeemed; (vii) the original date of execution and delivery of the Certificates; (viii) the rate of interest payable with respect to each maturity of Certificates being redeemed; (ix) the maturity date of each Certificate being redeemed; and (x) any other descriptive information needed to identify accurately the Certificates being redeemed.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates under Section 4.01(a), the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written

notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of this Trust Agreement.

Notice of redemption having been given as aforesaid and the deposit of the redemption price having been made by the City, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Upon the payment of the redemption price of Certificates being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Certificates being redeemed with the proceeds of such check or other transfer, to the extent possible. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be redelivered and shall be destroyed pursuant to Section 15.07.

In addition to the foregoing notice to the Owners, notice shall also be given by the Trustee, by telecopy, registered, certified or overnight mail, to all Securities Depositories and to an Information Service which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the City shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Purchase of Certificates. In lieu of redemption of Certificates as provided in this Article IV, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a City Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct. Such purchases may be effected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Certificates of the same maturity purchased in lieu of redemption pursuant to this Section 4.05 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such redemption. Remaining moneys, if any, shall be deposited in the Lease Payment Fund. The exercise of any provision of this Trust Agreement which permits the purchase of Certificates in lieu of redemption shall require prior written approval of AGM wherein any Certificate so purchased is not extinguished.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01. Assignment of Rights in Lease Agreement. The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant hereto. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund (except as provided in Section 6.04 hereof).

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

Section 5.03. Deposits. There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee (except as provided in Section 6.04 hereof), including any moneys received by the Trustee for deposit therein pursuant to Sections 4.01, 5.01 or Article VII hereof, or Article X of the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to this Trust Agreement. Proceeds of the Certificates deposited in the Lease Payment Fund pursuant to Section 2.07(c) for capitalized interest shall be withdrawn and used by the Trustee to pay interest with respect to the Certificates on the following dates and in the following amounts:

Interest Payment Date	Amount of Capitalized Interest to be Applied
October 15, 2011	
April 15, 2012	

Section 5.04. Application of Moneys. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of Article II and Article IV hereof.

Section 5.05. Surplus. Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee and payment of any amounts owed to AGM, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI

RESERVE FUND

Section 6.01. Establishment of Reserve Fund. The Trustee shall establish a special fund designated as the "Reserve Fund." All moneys, equal to the Reserve Requirement, at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates, and applied solely as provided herein.

Section 6.02. Deposits. In lieu of a cash deposit to the Reserve Fund the Reserve Fund Municipal Bond Insurance Policy shall be delivered to the Trustee on the Closing Date. The prior written consent of AGM shall be a condition precedent to the deposit of any credit instrument (other than the Reserve Fund Municipal Bond Insurance Policy) provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything to the contrary set forth in this Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the Certificates.

Section 6.03. Transfers of Excess. The Trustee shall, on or before each March 15 and September 15, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement in accordance with Section 8.04; *provided, however,* that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative.

Section 6.04. Application in Event of Deficiency in the Lease Payment Fund. If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund or shall draw on the Reserve Fund Municipal Bond Insurance Policy and apply amounts received from such draw to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. To the extent there is cash or investments on deposit in the Reserve Fund, such cash or investments shall be applied first before there is any draw on the Reserve Fund Municipal Bond Insurance Policy or any other credit facility credited to the Reserve Fund in lieu of cash (a "Credit Facility"). Payment of any Reserve Fund Municipal Bond Insurance Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Fund Municipal Bond Insurance Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Reserve Fund Municipal Bond Insurance Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund or there has been a draw on the Reserve Fund Municipal Bond Insurance Policy, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance and first applied to reimburse a draw on the Reserve Fund Municipal Bond Insurance Policy and then to replenish any cash drawn therefrom.

The Trustee shall ascertain the necessity for a claim upon the Reserve Fund Municipal Bond Insurance Policy and to provide notice to AGM in accordance with the terms of the Reserve Fund Municipal Bond Insurance Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Certificates.

The City agrees to repay any draws under the Reserve Fund Municipal Bond Insurance Policy and pay all related reasonable expenses incurred by AGM. Interest shall accrue and be payable on such draws and expenses from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Reserve Fund Municipal Bond Insurance Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Fund Municipal Bond Insurance Policy Costs related to such draw.

Amounts in respect of Reserve Fund Municipal Bond Insurance Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Fund Municipal Bond Insurance Policy.

If the City shall fail to pay any Reserve Fund Municipal Bond Insurance Policy Costs in accordance with the requirements of this Section 6.04, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement, other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect Owners.

Neither this Trust Agreement nor the Lease Agreement shall be discharged until all amounts due to AGM shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

Section 6.05. Transfer To Make All Lease Payments. If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with Article II and IV of this Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due AGM and the Trustee hereunder, or upon provision for such payment as provided in Section 15.01, shall be withdrawn by the Trustee and paid to the City.

ARTICLE VII

INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN; TITLE INSURANCE

Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award.

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the City in the event of any such damage or destruction shall be paid to the Trustee by the City pursuant to Section 6.2(a) of the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the City shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the City, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the City's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to Section 10.3 of the Lease Agreement and applied to the redemption of Certificates as provided in Section 4.01(b) hereof; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to Section 10.3 of the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a City Representative and a Corporation Representative.

(d) In the event the City's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, and disbursed by the Trustee upon receipt of requisitions signed by a City Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City.

Section 7.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(b) of the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to Section 10.3 of the Lease Agreement and applied to the redemption of Certificates in the manner provided in Section 4.01(b) hereof.

(b) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the City Representative in the form and containing the provisions set forth in Section 7.01. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to Section 10.3 of the Lease Agreement and applied to the redemption of Certificates in the manner provided in 4.01(b) hereof.

(d) In making any determination under this Section 7.02, the City may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant, a copy of which shall be filed with the Trustee. Any such determination by the City shall be final.

Section 7.03. Application of Net Proceeds of Title Insurance Award. The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to Section 6.2(c) of the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to Section 10.3 of the Lease Agreement and applied to the redemption of Certificates in the manner provided in Section 4.01(b).

Section 7.04. Cooperation. The Corporation and the Trustee shall cooperate fully with the City, at the expense of the City, in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof. Neither the Trustee nor the Corporation shall be obligated to join in such

action if it believes it will be exposed to liability or has not been indemnified to its satisfaction from any loss, liability or expense including, but not limited to, reasonable attorneys fees.

ARTICLE VIII

MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes herein specified and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not (except as set forth in Section 9.03 hereof) be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the City or any Owner of Certificates.

Section 8.02. Investments Authorized. Moneys held by the Trustee hereunder shall, upon written order of a City Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a City Representative as Permitted Investments without independent investigation thereof. If a City Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section 8.02, to deal with itself (in its individual capacity) or with 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 dealing as principal for its own account.

Unless otherwise consented to by AGM, so long as any Certificates remain outstanding or any amounts are owed to AGM by the City, the City shall not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the City and a counterparty based on interest rates applied to a notional amount of principal.

Section 8.03. Accounting. The Trustee shall furnish to the City, at least monthly, an accounting which may be in the form of its customary accounting statements of all investments made by the Trustee; provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of $0.00 and (b) has not had any activity since the last reporting date. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 8.02 hereof. The City acknowledges that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the City the right to receive brokerage confirmations of security transactions, the City waives receipt of such confirmations. The Trustee shall furnish to the City periodic statements of account which shall include detail of all investment transactions made by the Trustee.

Section 8.04. Allocation of Earnings. Unless and until otherwise directed by the City to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund pursuant to this Section 8.04 shall be applied as a credit against the Lease Payment due by the City pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve

Fund are less than the Reserve Requirement. Reserve Fund investments may not have maturities extending beyond five years, except for the Reserve Fund Municipal Bond Insurance Policy and investment agreements or repurchase agreements approved by AGM. In the event that amounts then on deposit in the Reserve Fund on the valuation date described in Section 6.03 hereof equal or exceed the Reserve Requirement, such excess shall be transferred to the Lease Payment Fund. Transfers to the Lease Payment Fund from the Reserve Fund shall be made by the Trustee on or prior to each March 15 and September 15. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to Section 3.04 hereof.

Section 8.05. Acquisition, Disposition and Valuation of Investments. The City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued at their market value.

ARTICLE IX

THE TRUSTEE

Section 9.01. Appointment of Trustee. U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America with a Principal Corporate Trust Office in San Francisco, California, is hereby appointed Trustee, registrar and paying agent by the Corporation and the City 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 Trust Agreement. The Corporation and the City agree that they will maintain a Trustee which shall be a corporation or association organized under the laws of any state, the United States of America, or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a bank or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars ($50,000,000), subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding and acceptable to AGM. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 9.07.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity, or on redemption, or on purchase by the Trustee prior to maturity in accordance with Section 4.05 hereof, and to cancel all Certificates upon payment thereof. The Trustee shall keep records in accordance with industry standards of all funds administered by it and of all Certificates paid and discharged.

Section 9.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) No provision in this Trust Agreement shall require 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, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys, receivers or agents and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder and shall

be absolutely protected in relying thereon. The Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

(d) The Trustee shall not be responsible for any recital herein, in the Assignment Agreement or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates delivered hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the City under the Lease Agreement.

(e) The Trustee shall not be accountable for the use of any Certificates delivered hereunder or the proceeds thereof. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Certificates secured hereby with the same rights which it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(f) In the absence of bad faith on its part, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, facsimile, letter, telegram or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such person is the registered owner as shown on the Registration Books.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative or a City Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a certificate of a Corporation Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the City, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees, affiliates and agents.

(i) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to make any of the Lease Payments to the Trustee required to be made by the City pursuant to the Lease Agreement or failure by the Corporation or the City to file with the Trustee any document required by this Trust Agreement or a Lease Agreement to be so filed subsequent to the delivery of the Certificates, unless the Trustee shall be specifically notified in writing of such default by the Corporation,

the City or by the Owners of at least five percent (5%) in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the City to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article VIII of this Trust Agreement.

(m) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of AGM or the Owners of a majority in aggregate principal amount of the Outstanding Certificates 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 Trust Agreement.

(n) Before taking any action under Article XIII hereof or this Section 9.02 at the request or direction of AGM or the Certificate Owners, the Trustee may require payment or reimbursement of its reasonable fees and expenses, including reasonable fees and expenses of counsel and receipt of an indemnity bond satisfactory to it from the Certificate Owners to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(o) Under no circumstances shall the Trustee be liable for the obligations evidenced by the Certificates.

(p) The Trustee shall not be accountable for the use or application by the City or the Corporation or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(q) The Trustee has no obligation or duty to insure compliance by the City with the Code.

(r) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal or environmental requirements, quality,

durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City or the Corporation of the Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or this Trust Agreement for the existence, furnishing or use of the Property.

(s) The Trustee makes no representations as to the validity or sufficiency of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the validity or sufficiency of the Lease Agreement or the assignment under the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease Agreement (except as provided in this Trust Agreement), its right to receive moneys pursuant to the Lease Agreement, or the value of or title to the premises upon which the Property is located or the Property. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Certificates.

(t) In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City or the Corporation having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

(u) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

Section 9.03. Fees, Charges and Expenses of Trustee. The City shall pay and reimburse the Trustee for reasonable fees for its services rendered hereunder and under the Assignment Agreement and all advances and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by the Trustee in connection with such services and the Trustee shall, in the Event of Default, have a first and prior lien on the funds held hereunder to secure the same. The Trustee's rights hereunder, including its rights under Section 12.03 hereof, shall survive its resignation or removal and final payment of the Certificates.

Section 9.04. Notice to Certificate Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice pursuant to Section 9.02(i) hereof, then the Trustee shall, within ninety (90) days of the occurrence thereof, give written notice thereof at the expense of the City by first class mail, postage prepaid, to the Owner of each Certificate, unless such Event of Default shall have been cured before the giving of such notice; *provided, however* that unless such Event of Default consists of the failure by the City to make any Lease Payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

Section 9.05. Intervention by Trustee. In any judicial proceeding to which the Corporation or the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Certificate Owners and shall do so if requested in writing by AGM or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding and AGM, provided the Trustee shall have no duty to take such action unless it

has received payment or reimbursement and has been indemnified to its satisfaction as provided in Section 9.02(n) hereof against all risk or liability arising from such action.

Section 9.06. Removal of Trustee. Upon thirty (30) days' notice, the City (so long as no Event of Default shall have occurred and be continuing), AGM or the Owners of at least a majority of the aggregate principal amount of Certificates then Outstanding may, with the consent of the Corporation, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a Corporation or association meeting the requirements set forth in Section 9.01 hereof.

Section 9.07. Resignation by Trustee. The Trustee and any successor Trustee may, at any time, resign by giving thirty (30) days' written notice by registered or certified mail to the City, AGM and the Corporation.

Section 9.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07 hereof, the City shall promptly appoint a successor Trustee. In the event the City shall, for any reason whatsoever, fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 9.06 hereof or within thirty (30) days following the receipt of notice by the City pursuant to Section 9.07 hereof, the Trustee may apply to a court of competent jurisdiction at the expense of the City, for the appointment of a successor Trustee meeting the requirements of Section 9.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such thirty (30) day period. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

Section 9.09. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 9.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the Corporation and the City an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the City, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the City shall mail, by first class mail, postage prepaid, or cause the mailing of, notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement shall have been filed or recorded.

ARTICLE X

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted. This Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of AGM or, if AGM is in breach of its obligations under the Municipal Bond Insurance Policy, the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate and AGM; or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement; or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02 hereof.

This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may (upon prior written notice to AGM) be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the City; (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates; (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates; (5) to add to the rights of the Trustee; or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

This Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

The Trustee may request an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trustee may rely conclusively on such opinion.

Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners. This Trust Agreement and the Lease Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.01 hereof. A copy of such supplemental agreement (or a summary thereof), together with a request to the Certificate Owners for their consent thereto,

shall be mailed by first class mail, postage prepaid, by the Trustee at the expense of the City, to each Owner of a Certificate at his address as set forth on the Registration Books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section 10.02 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of AGM or, if AGM is in breach of its obligations under the Municipal Bond Insurance Policy, the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03 hereof) and a notice shall have been mailed as hereinafter in this Section 10.02 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in the following paragraph of this Section 10.02 provided for has been mailed.

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

Section 10.03. Disqualified Certificates. Certificates owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; *provided, however*, that the Trustee shall not be liable for determining whether Certificates are owned or held by the City or any such other person unless such Certificates are registered in the name of the City or such other person on the Registration Books.

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

to be part of the terms and conditions of this Trust Agreement or a Lease Agreement, as the case may be, for any and all purposes.

Section 10.05. Endorsement or Replacement of Certificates Delivered After Amendments. The City may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for such purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The City may determine that the delivery of substitute Certificates, so modified as in the opinion of the City is necessary to conform to such Certificate Owners' action, is necessary and such substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Principal Corporate Trust Office, at the expense of the City, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

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

ARTICLE XI

COVENANTS

Section 11.01. Compliance With and Enforcement of Lease Agreement. The City covenants and agrees with AGM and the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The Corporation and the City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the City or the Corporation, will deliver the same, or a copy thereof, to the Trustee and AGM.

Section 11.02. Observance of Laws and Regulations. The City and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.03. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.04. Recordation and Filing. The City shall record and file, or cause to be recorded and filed, the Site and Facility Lease, the Lease Agreement (or a memorandum thereof), the Assignment Agreement and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 11.05. Budgets. The City shall supply to AGM and to the Trustee as soon as practicable, but not later than August 1 in each year, a written determination by a City Representative that the City has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the City to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Section 11.06. Further Assurances. The Corporation and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Lease Agreement, or as may be requested by the Trustee and for the better assuring and confirming unto the Owners of the Certificates and the Trustee the rights and benefits provided herein.

Section 11.07. Satisfaction of Conditions Precedent. The City hereby certifies, recites and declares that all acts, conditions and things required by the constitution and statutes of the State, the Lease Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law.

Section 11.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee shall, upon payment of its fees and expenses, including reasonable counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE XII

LIMITATION OF LIABILITY

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

Section 12.02. No Liability of City or Corporation for Trustee Performance. Neither the City nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 12.03. Indemnification of Trustee. The City shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including reasonable legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the City; (ii) any breach or default on the part of the Corporation or the City the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Corporation or the City or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Corporation or the City or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the City including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties hereunder or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the City; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under this Trust Agreement. No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, its officers, affiliates or employees. The City's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Section 12.04. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Corporation, the Trustee, AGM and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust

Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Corporation, the Trustee, AGM and said Owners.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee all of the Corporation's rights in and to the Lease Agreement (excepting only the Corporation's rights under Sections 5.8, 7.3 and 9.4 and the obligations under Section 4.7 thereof), including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 13.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may (with the prior written consent of AGM), and shall upon request of AGM or, if AGM is in breach of its obligations under the Municipal Bond Insurance Policy, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its reasonable fees and expenses, including reasonable counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything herein or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Section 13.03. Application of Funds. All moneys held by the Trustee in the funds and accounts held hereunder and all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or Article IX of the Lease Agreement shall be applied by the Trustee in the following order upon presentation of the several Certificates:

First, to the payment of the costs and expenses of the Trustee and of the Certificate Owners in declaring such Event of Default, and collecting moneys owed hereunder, including reasonable compensation to its or their agents, attorneys and counsel (including allocated costs of internal counsel), including all fees and expenses past due;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate per annum payable with respect to the Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, any amount due to AGM, not paid pursuant to First or Second above, and unpaid.

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, or if there shall be nonpayment of principal or interest with respect to the Certificates, the Trustee in its discretion may and shall, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder. If one or more Events of Default shall occur and be continuing, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Property and for any property securing the Certificates and the revenues, income, produce, and profits thereon. In the case of any receivership, insolvency, bankruptcy, reorganization, or other judicial proceedings affecting the City or the Property, the Trustee shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under this Trust Agreement at the time of the institution of such proceedings, and also for any additional amount which may become due and payable thereafter, without prejudice to the right of any Owner to file a claim on his or her own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its reasonable legal fees and expenses in accordance with this Section 13.04.

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

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Certificates Outstanding.

Section 13.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or

proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates then Outstanding shall 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) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

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

ARTICLE XIV

PROVISIONS RELATING TO AGM AND THE MUNICIPAL BOND INSURANCE POLICY

Section 14.01. Notices and Other Information.

(a) Any notice that is required to be given to an Owner, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to this Trust Agreement or the Lease Agreement shall also be provided to AGM, simultaneously with the sending of such notices. In addition, all information furnished by the City pursuant to the Continuing Disclosure Certificate shall also be provided to AGM, simultaneously with the furnishing of such information.

All notices required to be given to AGM shall be in writing and shall be sent by registered or certified mail addressed to the Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), 31 West 52nd Street, New York, New York 10019, Attention: Managing Director—Surveillance, Re: Municipal Bond Insurance Policy Policy No. _____-N and Reserve Fund Municipal Bond Insurance Policy Policy No. _____-R, Telephone: (212) 826-0100; Fax: (212) 339-3556. If such communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel of AGM and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) AGM shall have the right to receive such additional information as it may reasonably request.

(c) The City will permit AGM to discuss the affairs, finances and accounts of the City or any information AGM may reasonably request regarding the security for the Certificates with appropriate officers of the City, and the City will use best efforts to enable AGM to have access to the facilities, books and records of the City on any Business Day upon reasonable prior notice.

(d) The Trustee shall notify AGM of any failure of the Corporation or the City to provide notices, certificates and other information required to be provided under the Trust Agreement or the Lease Agreement.

Section 14.02. Defeasance. In the event that the principal and/or interest due with respect to the Certificates shall be paid by AGM pursuant to the Municipal Bond Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and shall run to the benefit of AGM and AGM shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

Section 14.03. Trustee-Related Provisions.

(a) AGM shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee.

(b) No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to AGM, shall be appointed.

(c) The Trustee may be removed at any time at the request of AGM for any breach of its obligations under the Trust Agreement.

Section 14.04. Amendments and Supplements.

(a) With respect to amendments or supplements to this Trust Agreement or the Lease Agreement which do not require the consent of the Owners, AGM must be given prior written notice of any such amendments or supplements.

(b) With respect to amendments or supplements to this Trust Agreement or the Lease Agreement which do require the consent of the Owners, AGM's prior written consent is required.

(c) Copies of any amendments or supplements to this Trust Agreement or the Lease Agreement which are consented to by AGM shall be sent to the rating agencies that have assigned a rating to the Certificates.

(d) Notwithstanding any other provision of this Trust Agreement or the Lease Agreement, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Owners as if there was no Municipal Bond Insurance Policy.

(e) AGM shall be deemed to be the sole holder of the Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of this Trust Agreement. pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

Section 14.05. AGM as Third Party Beneficiary. To the extent that this Trust Agreement or the Lease Agreement confer upon or give or grant to AGM any right, remedy or claim under or by reason of the Trust Agreement or the Lease Agreement, AGM is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 14.06. Control Rights.

(a) AGM shall be deemed to be the Owner of all of the Certificates for purposes of (i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (ii) granting any consent, direction or approval or taking any action permitted by or required under this Trust Agreement or the Lease Agreement, as the case may be, to be granted or taken by the Owners of such Certificates.

(b) Anything in this Trust Agreement or the Lease Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, AGM shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners.

(c) The rights granted to AGM under the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and/or this Trust Agreement to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on

behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Section 14.07. Consent Rights of AGM.

(a) *Consent of AGM*. Any provision of this Trust Agreement or the Lease Agreement expressly recognizing or granting rights in or to AGM may not be amended in any manner that affect the rights of AGM hereunder or thereunder without the prior written consent of AGM.

(b) *Consent of AGM in Addition to Owner Consent*. Wherever this Trust Agreement or the Lease Agreement require the consent of Owners, AGM's consent shall also be required.

(c) *Consent of AGM in the Event of Insolvency*. Any reorganization or liquidation plan with respect to the City must be acceptable to AGM. In the event of any reorganization or liquidation, AGM shall have the right to vote on behalf of all Owners who hold Certificates guaranteed by AGM, absent a default by AGM under the Municipal Bond Insurance Policy.

The rights granted to AGM under this Trust Agreement or the Lease Agreement to request, consent to or direct any action are rights granted to AGM in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by AGM of such rights is merely an exercise of AGM's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf, of the Owners and such action does not evidence any position of AGM, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of AGM.

Section 14.08. Payment Procedure Under the Municipal Bond Insurance Policy.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under this Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall give notice to AGM and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to AGM and AGM's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to AGM and AGM's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Certificates paid by AGM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to AGM, registered in the name of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement

Certificate shall have no effect on the amount of principal or interest payable by the City with respect to any Certificate or the subrogation rights of AGM.

The Trustee shall keep a complete and accurate record of all funds deposited by AGM into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Certificate. AGM shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to herein as the "Municipal Bond Insurance Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of this Trust Agreement regarding payment of Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in this Trust Agreement to the contrary, the City agrees to pay to AGM (i) a sum equal to the total of all amounts paid by AGM under the Municipal Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by AGM until payment thereof in full, payable to AGM at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Certificates; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The City covenants and agrees that AGM Reimbursement Amounts are secured on a parity with amounts due under the Lease Agreement.

Funds held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to AGM.

AGM shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the City to AGM under the Lease Agreement or this Trust Agreement shall survive discharge or termination of the Lease Agreement or this Trust Agreement.

The City shall pay or reimburse AGM any and all charges, fees, costs and expenses that AGM may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Site and Facility Lease, the Lease Agreement, the Assignment Agreement or this Trust Agreement; (ii) the pursuit of any remedies under the Site and Facility Lease, the Lease Agreement, the Assignment Agreement or this Trust Agreement or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Site and Facility Lease, the Lease Agreement, the

Assignment Agreement or this Trust Agreement whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Site and Facility Lease, the Lease Agreement, the Assignment Agreement or this Trust Agreement or the transactions contemplated thereby, other than costs resulting from the failure of AGM to honor its obligations under the Municipal Bond Insurance Policy. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement or this Trust Agreement.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the City or rebate only after the payment of past due and current debt service on the Certificates and amounts required to restore the Reserve Fund to the Reserve Requirement.

AGM shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not AGM has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

ARTICLE XV

MISCELLANEOUS

Section 15.01. Defeasance. If and when all Outstanding Certificates shall be paid and discharged and all other amounts due and owing hereunder have been paid (as set forth below) then, notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Corporation, the Trustee and the City with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the City to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds deposited pursuant to paragraph (b) of this Section 15.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraph (b), the Certificates shall continue to represent direct and fractional interests of the Owners thereof in Lease Payments under the Lease Agreement.

Such payment and discharge may be accomplished in either of the following ways:

(a) by well and truly paying or causing to be paid the principal, and interest with respect to all Certificates Outstanding, as and when the same become due and payable; or

(b) by irrevocably depositing with the Trustee or an escrow holder security for the payment of Lease Payments as more particularly described in Section 10.1 of the Lease Agreement, to be applied to pay the Lease Payments as the same become due and payable and prepay the Lease Payments in full on any prepayment date, pursuant to Section 10.1 of the Lease Agreement.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) or (b) of this Section 15.01, which are not required for the payment to be made to Owners or AGM, shall, after payment of all fees and expenses of the Trustee and AGM, including attorneys fees (including allocated costs of internal counsel), be paid over to the City.

To accomplish defeasance, the City shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to AGM ("Accountant") verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or redemption date ("Verification"), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to AGM), and (iii) an opinion of nationally recognized bond counsel to the effect that (A) the Certificates are no longer Outstanding and (B) the defeasance will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates; each Verification and defeasance opinion shall be acceptable in form and substance to the City and AGM, and addressed, to the City and the Trustee and AGM. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of AGM and shall be accompanied by such opinions of counsel as may be required by AGM. AGM shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Certificates shall be deemed Outstanding under this Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

Section 15.02. Records. The Trustee shall keep records in accordance with industry standards of all moneys received and disbursed by it under this Trust Agreement, which shall be available for inspection by the City, the Corporation, AGM and any Owner of at least five percent (5%) of the Outstanding principal amount of the Certificates, or the agent of any of

them, at any time during regular business hours on any Business Day upon reasonable prior notice.

Section 15.03. Notices. All written notices to be given under this Trust Agreement shall be given by first class mail, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States first class mail, postage prepaid to the address set forth below:

If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: Secretary/Treasurer Phone: (805) 267-7141
If to the City:	City of Benicia 250 East L Street Benicia, CA 94510 Attention: Finance Director Phone: (707) 746-4225
If to the Trustee:	U.S. Bank National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Corporate Trust Services Phone: (415) 273-4580
If to AGM:	See Section 14.01

The Trustee agrees to notify the Corporation and AGM in the event of any prepayment by the City of Lease Payments under the Lease Agreement and upon the termination of the Lease Agreement.

Section 15.04. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 15.05. Binding Effect; Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Corporation, 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 Trust Agreement contained by or on behalf of the Corporation, 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 15.06. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 15.07. Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Certificates, the Trustee may, in lieu of such cancellation and delivery, destroy such Certificates and deliver a certificate of such destruction to the City.

Section 15.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All

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

Section 15.09. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by first class mail, postage prepaid, or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 15.10. Payments Due on Other than Business Day. If the date for making any payment as provided in this Trust Agreement is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if done on the date provided therefore herein.

Section 15.11. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement and subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment of the principal or interest due with respect to any Certificates and remaining unclaimed two years from the date of deposit of such funds, or if the law shall have been changed and the City has notified the Trustee of such change or the Trustee notifies the City, then on the date thirty (30) days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the City free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost and request of the City) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the amounts so payable and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. The Trustee shall not be liable for any interest on funds held by it. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 15.11 and shall not be regarded as a trustee of such money.

Section 15.12. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

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

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Name _____
Title _____

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By _____
Secretary/Treasurer

CITY OF BENICIA

By _____
Finance Director

Attest:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

EXHIBIT A

DEFINITIONS

"*Additional Payments*" means the payments so designated and required to be paid by the City pursuant to Section 4.7 of the Lease Agreement.

"*AGM*" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assigns thereof.

"*Assignment Agreement*" means the Assignment Agreement, dated as of April 1, 2011, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Certificate of Completion*" means the certificate of a City Representative certifying that the construction of the Projects has been completed by the City and that all costs relating thereto have been paid.

"*Certificates*" means the $_____ aggregate principal amount of certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

"*City*" means City of Benicia, a municipal corporation and general law city, duly organized and existing under and by virtue of the laws of the State.

"*City Representative*" means the Mayor, the City Manager, the Finance Director, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the City under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

"*Closing Date*" means April 27, 2011, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

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

"*Completion Date*" means the date of completion of the Projects as evidenced by the filing with the Trustee of a Certificate of Completion.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the City and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

"*Corporation*" means the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State.

"*Corporation Representative*" means the President, the Vice President, the Executive Director, the Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

"*Council*" means the City Council of the City.

"*Defeasance Obligations*" means (a) cash, (b) non callable direct obligations of the United States of America ("Treasuries"), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (e) subject to the prior written consent of AGM, securities eligible for "AAA" defeasance under then existing criteria of S&P.

"*Delivery Costs*" means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, the premiums for the Municipal Bond Insurance Policy and the Reserve Fund Municipal Bond Insurance Policy and charges and fees in connection with the foregoing.

"*Delivery Costs Fund*" means the fund by that name established and held by the Trustee pursuant to Article III of the Trust Agreement.

"*Event of Default*" means an event of default under the Lease Agreement, as defined in Section 9.1 thereof.

"*Facility*" means those certain existing facilities more particularly described in Exhibit B to the Site and Facility Lease and in Exhibit B to the Lease Agreement.

"*Federal Securities*" means (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury

Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United Sates of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"*Fiscal Year*" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the City as its fiscal year.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the City or the Trustee.

"*Information Services*" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"*Insurance and Condemnation Fund*" means the fund by that name established and held by the Trustee pursuant to Section 7.01 of the Trust Agreement.

"*Insurance Agreement*" means the Insurance Agreement, dated as of the Closing Date, by and between the City and AGM, together with any duly authorized and executed amendments thereto, relating to the Reserve Fund Municipal Bond Insurance Policy.

"*Interest Payment Date*" means the fifteenth (15th) day of April and October in each year, commencing October 15, 2011, so long as any Certificates are Outstanding.

"*Lease Agreement*" means that certain agreement for the lease of the Property by the Corporation to the City, dated as of April 1, 2011, together with any duly authorized and executed amendments thereto.

"*Lease Payment Date*" means the first (1st) day of April and October in each year during the Term of the Lease Agreement, commencing October 1, 2011.

"*Lease Payment Fund*" means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

"*Lease Payments*" means the total payments required to be paid by the City pursuant to Section 4.4 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in Exhibit C to the Lease Agreement.

"*Moody's*" means Moody's Investors Service, New York, New York, or its successors.

"*Net Proceeds*," when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*Original Purchaser*" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

"*Outstanding*," when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 10.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

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

(b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

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

"*Owner*" or "*Certificate Owner*" or "*Owner of a Certificate*," or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article V of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the City agree in writing do not reduce the value of the Property.

"*Permitted Investments*" means any of the following:

(a) United States Treasury Obligations;

(b) Federal Housing Administration debentures;

(c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(v) Financing Corporation (FICO) debt obligations, and

(vi) Resolution Funding Corporation (REFCORP) debt obligations;

(d) Unsecured certificates of deposit, time deposits, money market deposit accounts and bankers" acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P;

(e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million;

(f) Commercial paper (having original maturities of not more than 30 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

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(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated "AA" or better by S&P and Moody's and acceptable to AGM, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the City (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books),

(C) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the

Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the City or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's, or, in the case of a monoline Municipal Bond Insurance company, claims paying ability of the guarantor is rated at least "AAA" (stable) by S&P and "Aaa" (stable) by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the City and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the City or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the City and AGM) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, AGM;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of

publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the City or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Trustee (who shall give such direction if so directed by AGM), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the City or Trustee, as appropriate.

(l) The Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Education Code, to the extent the Trustee is authorized to register such investment in its name.

(m) other forms of investments (including repurchase agreements) approved in writing by AGM.

"*Principal Corporate Trust Office*" means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, CA 94111, Attention: Corporate Trust Services, or such other office designated by the Trustee from time to time.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

"*Project Costs*" means all costs of payment of, or reimbursement for, the Projects.

"*Project Fund*" means the fund by that name established and held by the Trustee pursuant to Article III of the Trust Agreement.

"*Projects*" include, but is not limited to, the various energy conservation projects to be financed by the City with the proceeds of the Certificates, all as more particularly described in Exhibit C attached to the Trust Agreement.

"*Property*" means, collectively, the Site and the Facility.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to Section 2.12 of the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"*Regular Record Date*" means the close of business on the first (1st) day of the month preceding each Interest Payment Date, whether or not such first (1st) day is a Business Day.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing on April 16 in any year and ending on April 15 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on April 15, 2012.

"*Reserve Fund*" means the fund by that name established and held by the Trustee pursuant to Section 6.01 of the Trust Agreement.

"*Reserve Fund Municipal Bond Insurance Policy*" means the Municipal Bond Insurance Policy issued by AGM for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

"*Reserve Requirement*" means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments, and 10% of the principal amount of the Certificates, which amount shall be $_____ on the Closing Date.

"S&*P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"*Securities Depositories*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

"*Site*" means that certain real property more particularly described in Exhibit A to the Site and Facility Lease and in Exhibit A to the Lease Agreement.

"*Site and Facility Lease*" means the Site and Facility Lease, dated as of April 1, 2011, by and between the City, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"*State*" means the State of California.

"*Term of the Lease Agreement*" means the time during which the Lease Agreement is in effect, as provided in Section 4.2 of the Lease Agreement.

"*Trust Agreement*" means the Trust Agreement, dated as of April 1, 2011, by and among the City, the Corporation and the Trustee, together with any duly authorized amendments thereto.

"*Trustee*" means U.S. Bank National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

EXHIBIT B

FORM OF THE CERTIFICATES

Certificate of Participation
(2011 Energy Conservation Projects)
Evidencing a Direct, Undivided Fractional Interest of the
Owners Hereof in Lease Payments to be Made by the
CITY OF BENICIA, CALIFORNIA
As the Rental for Certain Property Pursuant to a Lease Agreement
with the Public Property Financing Corporation of California

RATE OF INTEREST	MATURITY DATE	DATED DATE	CUSIP
_____%	April 15, ____	April __, 2011	___

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns (the "Owner"), as the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a direct, undivided, fractional interest in a portion of the lease payments (the "Lease Payments") to be paid by the City of Benicia, a municipal corporation and general law city, duly organized and existing under the laws of the State of California (the "City"), pursuant to that certain Lease Agreement, dated as of April 1, 2011, by and between the Public Property Financing Corporation of California, a nonprofit, public benefit corporation organized and existing under the laws of the State of California (the "Corporation") and the City (the "Lease Agreement"), which Lease Payments, prepayments and certain other rights and interests under the Lease Agreement have been assigned to U.S. Bank National Association, as trustee (the "Trustee"), having a corporate trust office in San Francisco, California, or any other such location so designated by the Trustee (the "Principal Corporate Trust Office").

The Owner is entitled to receive, subject to the terms of the Lease Agreement, on the Maturity Date identified above, the Principal Amount identified above, representing a direct, undivided fractional portion of the Lease Payments designated as principal coming due on such date, and to receive on April 15 and October 15 of each year, commencing October 15, 2011 (each, an "Interest Payment Date"), until payment in full of said Principal Amount, the Owner's direct, undivided fractional share of the Lease Payments designated as interest coming due during the six months immediately preceding each of the Interest Payment Dates; provided that interest represented hereby shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (i) this Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) this Certificate is executed after the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date, and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this Certificate is executed on or before October 1, 2011, in which event interest shall be payable from the Dated Date stated above; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates,

interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check of the Trustee mailed to the registered owners of the Certificates as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the registered owners of the Certificates not less than ten (10) days prior to such special record date. Said direct, undivided fractional share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the Rate of Interest per annum identified above. Interest represented hereby is payable in lawful money of the United States of America by check mailed by the Trustee on each Interest Payment Date by first class mail to the Owner at his address as it appears on the registration books of the Trustee, as of the close of business on the fifteenth (15th) day of the month immediately preceding each Interest Payment Date or, upon written request filed with the Trustee prior to the fifteenth (15th) day of the month immediately preceding the Interest Payment Date by a registered owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by each registered owner in such written request. Principal represented hereby is payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender hereof at the Principal Corporate Trust Office.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement by and among the Trustee, the Corporation and the City, dated as of April 1, 2011 (the "Trust Agreement"). The City is authorized to enter into the Lease Agreement and the Trust Agreement under the laws of the State of California. Reference is hereby made to the Lease Agreement and the Trust Agreement (copies of which are on file at the Principal Corporate Trust Office) for a description of the terms on which the Certificates are delivered, the rights thereunder of the registered owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Lease Agreement, all of the provisions of which the Owner of this Certificate, by acceptance hereof, assents and agrees.

The City is obligated under the Lease Agreement to pay Lease Payments from any source of legally available moneys and the City has covenanted in the Lease Agreement to make the necessary annual appropriations therefor. The obligation of the City to pay the Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of AGM (as defined in the Trust Agreement) and the registered owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then outstanding and may be amended without such consent under certain circumstances; provided that no such amendment shall impair the right of any registered owner to receive, in any case, such registered owner's fractional share of any Lease Payment or prepayment thereof in accordance with such registered owner's Certificate, without the consent of such registered owner.

This Certificate is transferable and exchangeable by the Owner, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office, but only in the manner, subject to the limitations and upon payment of any charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer, a new Certificate or Certificates of an authorized denomination or denominations for the same aggregate principal amount will be delivered to the transferee in exchange for this Certificate.

The City, the Corporation and the Trustee may treat the Owner as the absolute owner hereof for all purposes, whether or not the payments represented by this Certificate shall be overdue and the City, the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the City, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

The Certificates maturing on or before April 15, 2017, are not subject to optional redemption prior to maturity. The Certificates maturing on and after April 15, 2018, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in pro rata among maturities) and by lot within a maturity, on or after April 15, 2017, at a redemption price equal to the principal amount thereof, together with the premium set forth below (expressed as a percentage of the total principal amount redeemed), and accrued interest to the date fixed for redemption from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement.

Redemption Periods	Redemption Premium
April 15, 2017 through April 14, 2018	2%
April 15, 2018 through April 14, 2019	1
April 15, 2019 and thereafter	0

The Certificates are subject to special optional redemption in part on and after April 15, 2013, from amounts, not exceeding $500,000, remaining on deposit in the Project Fund held by the Trustee and credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

The Certificates maturing on April 15, ____, are subject to mandatory redemption in part on April 15 in each year on and after April 15, ____, to and including April 15, ____, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (April 15)	Principal Amount of Certificates to be Redeemed

†Maturity.

Notice of redemption is to be given by the Trustee by mailing a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date

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fixed for redemption to the registered owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate registration books maintained by the Trustee. Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) interest with respect to such Certificates or portions of Certificates shall cease to accrue and be payable. Neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of Certificates.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of the Trust Agreement.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee makes no representation concerning the recitals contained in the Trust Agreement or in this Certificate.

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

Unless this Certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Certificate executed is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed by U.S. Bank National Association, as trustee, acting pursuant to the Trust Agreement.

Date of Execution:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By _____
Authorized Signatory

ASSIGNMENT

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

_____

_____

_____

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

the within Certificate and do(es) hereby irrevocably constitute and appoint

_____,

attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

_____

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

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"), New York, New York, has delivered its Municipal Bond Insurance Policy (the "Policy") with respect to the scheduled payments due of principal and interest with respect to this Certificate to U.S. Bank National Association, San Francisco, California, or its successor, as paying agent for the Certificates (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

EXHIBIT C

DESCRIPTION OF THE PROJECTS

Energy Conservation Measures to Be Implemented

ECM Location	Description
Benicia Community Park	120w induction lamps and induction ballast driver kit

LIGHTING RETROFIT AND UPGRADES:
Retrofit 21, Pole-top 175 watt metal halides lamps and ballasts with 120watt induction lamp and ballasts kit. Existing fixture head reused to accommodate new induction lamp and driver.

Energy Conservation Measures to Be Implemented

ECM Location	Description
Camel Barn	F28T8 lamps and electronic ballasts.
	Induction wall pack, 40w
	LED Par 38 flood lamps
	23-watt compact fluorescent lamps (screw-in base)
	LED exit sign w/ egress floods, battery back-up

LIGHTING RETROFIT AND UPGRADES:
Retrofit 31 fixtures using F34T12 linear fluorescent lamps and magnetic ballasts with F28T8 lamps and electronic ballasts.
Replace 15, 70w HPS wall-packs with new 40w induction wall packs
Replace 23, 65w incandescent Par38 flood lamps with LED Par 38 flood lamps
Replace 25, 60w incandescent lamps with 23w compact fluorescent lamps
Replace 6, compact fluorescent exit signs with new LED battery back-up, egress flood exit signs

Energy Conservation Measures to Be Implemented

ECM Location	Description
Corp Yard	New bi-level shoe box fixture:120w Induction lamps and induction ballast driver
	New Induction wall pack, 40w

LIGHTING RETROFIT AND UPGRADES:
Replace 10, 250w pole-top metal halide fixtures with new 120w bi-level induction fixture
Replace 12, 70w metal halide wall-packs with new 40w induction wall packs

Energy Conservation Measures to Be Implemented

ECM Location	Description
City Hall	New bi-level wall-pack fixture:120w Induction lamps and induction ballast driver
	New Induction bi-level wall pack: 100w induction lamp and ballast
	New Induction wall pack: 40w induction lamp and ballast

LIGHTING RETROFIT AND UPGRADES:
Replace 4, 250w metal halide wall-packs with new 120w bi-level induction wall packs
Replace 2, 150 metal halide wall-packs with new 100w bi-level induction wall packs
Replace 9, 70 metal halide wall-packs with new 40w induction wall packs

Energy Conservation Measures to Be Implemented

ECM Location	Description
Library	1 - F28/XL/T8 lamp, (1) 1-lamp LBF Ultra-Max IS Elec Ballast
	3 - F28/XL/T8 lamp, (1) 3-lamp LBF Ultra-Max IS Elec Ballast
	Replace T8 U-lamp w/ 2 -F17T8/SPX41/XL, 2x2, (1) 2-lamp NBF Elec Ballast. 2x2 R-Kit
	Replace T8 U-lamp w/ 3 -F17T8/SPX41/XL, 2x2, (1) 3-lamp NBF Elec Ballast. 2x2 R-Kit
	23 W Compact Fluorescent -Screw in Base
	Induction 70w lamp & ballasts retrofit kits
	Induction 40w lamp & ballasts retrofit kits
	LED retrofit kit (12w) / Cree - Model #LR6-GU-24 (Bi-Pin Socket)
	LED Par38 Flood lamps
	LED strip lights
	New exterior 70w induction fixtures
	New exterior 120w induction fixtures

LIGHTING RETROFIT AND UPGRADES:
Retrofit 286, 4' strip fixtures using (1) F32T8 linear fluorescent lamp and electronic ballast with (1) F28T8 lamp and electronic ballast.
Retrofit 7, 4' 2x4 recessed fixtures using (3) F32T8 linear fluorescent lamp and electronic ballast with (3) F28T8 lamp and electronic ballast.
Retrofit 8, 2' 2x2 recessed fixtures using (2) F31T8 fluorescent U-lamp and electronic ballast with (2) F17T8 2' linear fluorescent lamp and electronic ballast.
Retrofit 43, 2' 2x2 recessed fixtures using (2) F31T8 fluorescent U-lamp and electronic ballast with (3) F17T8 2' linear fluorescent lamp and electronic ballast.
Retrofit 15, 35w incandescent A-lamps with 23w compact fluorescent screw-in base lamps
Retrofit 45, 100w metal halide lamps and ballasts (pendant up-light fixtures) with 70w induction lamp and ballasts kits.
Retrofit 21, 70w metal halide lamps and ballasts (round recessed fixtures) with 40w induction lamp and ballasts kits.
Retrofit 12, (2) 13w compact fluorescent (round recessed fixtures) with (1) 12w LED recessed retrofit kit (Cree-#LR6-GU-24)
Replace 48, 65w incandescent track Par38 flood lamps with10w LED Par 38 flood lamps
Replace 36, 17w 2' linear fluorescent lamps (under-cabinet fixture) with LED strips
Replace 11, 100w metal halide (globe) pole lights with new Acorn 70w induction fixture
Replace 14, 100w metal halide (half-dome) pole lights with new Acorn 70w induction fixture
Replace 2, 400w high pressure sodium (cobra-head) pole lights with new Cobra 120w induction fixture

Energy Conservation Measures to Be Implemented

ECM Location	Description
Police Station	New exterior 40w induction wall-pack fixtures
	New exterior 40w induction pole-top fixtures

LIGHTING RETROFIT AND UPGRADES:
Replace 27, 70w metal halide wall-packs with new 40w induction wall packs
Replace 2, 70w metal halide pole-top fixtures with new 40w induction fixtures

Energy Conservation Measures to Be Implemented

ECM Location	Description
Waste Water TP	2 - F28/XL/T8 lamp, (1) 1-lamp LBF Ultra-Max IS Elec Ballast
	3 - F28/XL/T8 lamp, (1) 3-lamp LBF Ultra-Max IS Elec Ballast
	Replace T8 U-lamp w/ 2 -F17T8/SPX41/XL, 2x2, (1) 2-lamp NBF Elec Ballast. 2x2 R-Kit
	New exterior 40w induction wall-pack fixtures
	New 85w induction explosion-proof fixture
	New exterior T8, linear fluorescent vapor-tight fixture
	New exterior induction bi-level shoe-box fixtures
	New hi-bay induction pendant fixtures

LIGHTING RETROFIT AND UPGRADES:
Retrofit 212, 4' fixtures using (2) F32T8 linear fluorescent lamp and electronic ballast with (2) F28T8 lamp and electronic ballast.
Retrofit 9, 4' fixtures using (3) F32T8 linear fluorescent lamp and magnetic ballast with (3) F28T8 lamp and electronic ballast.
Retrofit 88, 2' 2x2 recessed fixtures using (2) F31T8 fluorescent U-lamps and electronic ballast with (2) F17T8 2' linear fluorescent lamp and electronic ballast.
Replace 36, 70w high pressure sodium wall-packs with new 40w induction wall-packs
Replace 9, 70w metal halide wall-packs with new 40w induction wall packs
Replace 12, 100w mercury vapor wall-packs with new 40w induction fixtures
Replace 40, 175w metal halide explosion-proof fixtures (digester) new 85w induction explosion-proof fixtures
Replace 15, F32T12 linear fluorescent vapor-tight fixture with new F28T8 linear fluorescent vapor-tight fixture
Replace 10, 250 metal halide fixtures (square pole-top) with new 120w induction bi-level shoe box fixture
Replace 12, 150 metal halide fixtures (hi-bay pendant) with new 100w induction hi-bay pendant fixtures

Energy Conservation Measures to Be Implemented

ECM Location	Description
Water Treatment Plant	2 - F28/XL/T8 lamp, (1) 2-lamp LBF Ultra-Max IS Elec Ballast, reflector kit
	2 - F28/XL/T8 lamp, (1) 2-lamp LBF Ultra-Max IS Elec Ballast
	Replace T12 U-lamp w/ 2 -F17T8/SPX41/XL, 2x2, (1) 2-lamp NBF Elec Ballast. 2x2 R-Kit
	New 4' T8, linear fluorescent bi-level industrial-hood fixtures
	New exterior pole and new 40w induction prismatic fixture
	Add new pole and 40w induction prismatic fixture
	New 40w induction canopy fixture
	New 40w induction wall-pack fixture

LIGHTING RETROFIT AND UPGRADES:
Retrofit 29, 4' fixtures using (4) F34T12 linear fluorescent lamp and electronic ballast with (2) F28T8 lamp and electronic ballast & reflector kit.
Retrofit 51, 4' fixtures using (2) F34T12 linear fluorescent lamp and magnetic ballast with (2) F28T8 lamp and electronic ballast.
Retrofit 13, 2' 2x2 recessed fixtures using (2) F40T12 fluorescent U-lamps and electronic ballast with (2) F17T8 2' linear fluorescent lamp and electronic ballast.
Replace 50, 4' industrial-hood fixtures using (2) F34T12 linear fluorescent lamp and magnetic ballast with new bi-level industrial-hood fixture utilizing (2) F28T8 linear fluorescent lamp/electronic ballast and occupancy sensor.
Replace 38, 70w metal halide (exterior pole-top) fixtures with new 40w induction prismatic pole-top fixture
Add new pole and 40w induction prismatic fixture. Mount to existing base and terminate to existing line power.
Replace 3, 4' fixtures using (2) F34T12 linear fluorescent lamp and magnetic ballast with new 40w induction canopy fixtures
Replace 13, 70w high pressure sodium wall-pack (exterior tanks) with new 40w induction wall-pack fixtures
Retrofit 2, 4' strips fixtures, using (1) F34T12 linear fluorescent lamp and magnetic ballasts with (1) F28T8 linear fluorescent lamp and electronic ballast.

Retrofit 2,204 existing streetlights throughout City. Retrofits will not occur on approximately 150 streetlights on Military West from 1st Street to 13th Street nor on 66 architectural streetlights on 1st street in the Histroric Downtown area.
New retrofit kits include:

1. 1,641 (QTY) LS2 INDUCTION 24040.
2. 254 (QTY) LS2 INDUCTION 24070
3. 27 (QTY) LS2 INDUCTION 240100
4. 129 (QTY) LS2 INDUCITON 240120 (81 KwHR/UNIT)
5. 14 (QTY) LS2 INDUCITON 240120 (100 KwHR/UNIT)
6. 4 (QTY) LS2 INDUCTION 240150
7. 35 (QTY) LS2 INDUCTION 240250

INSTALL TWO (2) METEOROLOGICAL STATIONS:
Install 78 foot tall, tilt-up towers to support Met Station at the Water Treatment Plant.
Install 78 foot tall, tilt-up towers to support Met Station at the Waste Water Treatment Plant.

DEMOLISH AND REBUILD PARKING LOT BEHIND CITY HALL:
Demolition scope includes tree removal, Quonset huts, retaining wall, curbs and pavement.
New work includes relocating underground utilities if necessary, regarding, compacting, new retaining walls if any, new curbs and pavement, striping, landscaping, and irrigation if any.
Exclusions: Hazardous material abatement of Quonset huts, removal of any contents of Quonset huts, relocation of any materials or equipment to be retained by City, Soils testing, and removal or abatement of contaminated soils.

Renewable Energy Measures: Photovoltaic Systems

#	Location	Solar Structure Type	Solar Array No.	No. of Strings	Array Capacity (kW DC)	Panel Type	Inverter
1	City Hall Complex	Parking Canopy	1	30	86	SolarWorld 240	Satcon PGP 250
	Parking Lot		2	34	98	SolarWorld 240	
2	Community Center	Parking Canopy	1	18	52	SolarWorld 240	Satcon PGP 100
	East Parking Lot		2	18	52	SolarWorld 240	
			3	10	29	SolarWorld 240	
3	Community Park on Rose	Parking Canopy	1	14	40	SolarWorld 240	Satcon PGP 75
	Parking Lot		2	10	29	SolarWorld 240	
4	Corporation Yard	Parking Canopy	1	16	46	SolarWorld 240	Satcon PGP 75
	Equip. yard & Fueling area	Custom Canopy	2	15	44	SolarWorld 240	
5	Water Treatment Plant	Ground-mounted	1	86	289	SolarWorld 240	Satcon PGP 250
6	Pump Station #1	Ground-mounted	1	42	140	SolarWorld 240	Satcon PGP 135
7	Pump Station #2	Ground-mounted	1	76	256	SolarWorld 240	Satcon PGP 250
8	Aquatics Center	Canopy	1	16	46	SolarWorld 240	Satcon PGP 75
			2	14	40	SolarWorld 240	
9	Pump Station #3	Ground-mounted	1	127	427	SolarWorld 240	Satcon PGP 375
TOTAL					**1,674.00**		

INSURANCE AGREEMENT

INSURANCE AGREEMENT, dated as of April 27, 2011 (the "Agreement"), by and between the CITY OF BENICIA (the "City"), and ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.) ("AGM").

In consideration of the issuance by AGM of its Municipal Bond Debt Service Reserve Insurance Policy No. _____-R (the "Reserve Policy") with respect to the City's Certificates of Participation (2011 Energy Conservation Projects) (the "Certificates") executed and delivered pursuant to that certain Trust Agreement, dated as of April 1, 2011, by and among the City, the Public Property Financing Corporation of California and U.S. Bank National Association, as trustee (the "Trust Agreement"), and the City's payment to AGM of the insurance premium for the Reserve Policy, AGM and the City hereby covenant and agree as follows:

1. Upon any payment by AGM under the Reserve Policy, AGM shall furnish to the City written instructions as to the manner in which payment of amounts owed to AGM as a result of such payment under the Reserve Policy shall be made.

2. The City shall pay AGM the principal amount of any draws under the Reserve Policy and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such national bank as AGM shall designate. If the interest provisions of this Section 2 shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by AGM, with the same force and effect as if the City had specifically designated such extra sums to be so applied and AGM had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

3. Repayment of draws and payment of expenses and the interest accrued thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy

Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due.

4. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

5. All cash and investments in the Reserve Fund shall be transferred to the Lease Payment Fund (as defined in the Trust Agreement) for payment of principal and interest with respect to the Certificates before any drawing may be made on the Reserve Policy or on any alternative credit instrument. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all alternative credit instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such alternative credit instrument) after applying available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to alternative credit instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

6. If the City shall fail to pay any Policy Costs in accordance with the requirements of the Trust Agreement and this Agreement, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement, other than (i) acceleration of the maturity of the Certificates or (ii) remedies which would adversely affect owners of the Certificates.

7. Neither the Lease Agreement (as defined in the trust Agreement) or the Trust Agreement shall be discharged until all Policy Costs owing to AGM shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

8. In order to secure the City's payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of AGM a security interest (subordinate only to that of the owners of the Certificates) in all revenues and collateral pledged as security for the Certificates.

9. The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and provide notice to AGM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due with respect to the Certificates. Where deposits are required to be made by the City with the Trustee to the Lease Payment Fund more often than semi-annually, the Trustee shall give notice to AGM of any failure of the City to make timely payment in full of such deposits within two business days of the date due.

10. The City will pay or reimburse AGM, to the extent permitted by law, and solely from amounts pledged or available to pay the Certificates, any and all charges, fees, costs, losses, liabilities and expenses which AGM may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Reserve Policy; (ii) the administration, enforcement, defense or preservation of any rights in respect of this Agreement or any document executed in connection with the Certificates (the "Related Documents"), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City) relating to this Agreement or any other Related Document, any party to this Agreement or any other Related Document or the transaction contemplated by the Related Documents; (iii) the foreclosure

against, sale or other disposition of any collateral securing any obligations under this Agreement or any other Related Document, if any, or the pursuit of any remedies under any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition; (iv) any amendment, waiver or other action with respect to, or related to this Agreement, the Reserve Policy or any other Related Document whether or not executed or completed; or (v) any action taken by AGM to cure a default or termination or similar event (or to mitigate the effect thereof) under any Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of AGM spent in connection with the actions described in clauses (ii)-(v) above. AGM reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Agreement or any other Related Document. Amounts payable by the City hereunder shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by AGM until the date AGM is paid in full.

11. The obligation of the City to pay all amounts due under this Agreement shall be an absolute and unconditional obligation of the City and will be paid or performed strictly in accordance with this Agreement, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the Certificates or any Related Document; (ii) any amendment or other modification of, or waiver with respect to the Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the Certificates, this Agreement or any Related Documents; (iv) whether or not such Certificates are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from this Agreement, the Reserve Policy or all or any of the Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the City may have at any time against the Trustee or any other person or entity other than AGM, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by AGM under the Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the Reserve Policy.

12. Notices to AGM shall be sent to the following address (or such other address as AGM may designate in writing): Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), 31 West 52nd Street, New York, New York 10019 Attention: Risk Management Department – Public Finance– Surveillance, Re: Policy No. _____-R.

13. If any one or more of the agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such agreements, provisions or terms shall be deemed severable from the remaining agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement.

14. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement.

15. This Agreement may be executed in counterparts, each of which alone and all of which together shall be deemed one original Agreement.

16. This Agreement and the rights and obligations of the parties of the Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the date written above.

ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.)

By _____
Authorized Officer

CITY OF BENICIA

By_____
Finance Director

Attest:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

TERMINATION AND RELEASE AGREEMENT

This TERMINATION AND RELEASE AGREEMENT ("Agreement") is made and entered into effective as of ___ day of March, 2011, by and between the CITY OF BENICIA ("the City"), on the one hand, and MUNICIPAL ACQUISITIONS ("MA"), on the other hand, with the City and MA collectively referred to herein as "Parties," or individually as a "Party."

RECITALS

A. On December 20, 2010, MA issued its letter of intent (the "Letter") to the City in connection with the financing of solar energy projects (the "Projects").

B. The City agreed to and accepted the terms of the Letter on January 3, 2011.

C. The Letter contemplated a financing structure wherein MA or a newly formed entity affiliated with MA, would serve as lessee/sublessor and MA would identify an investor or investors to finance the Projects in a privately placed lease transaction.

D. The structure of the financing has been subsequently revised and now takes the form of certificates of participation evidencing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City, to be sold to the public (the "COPs").

E. The new structure will not involve the participation of MA.

F. The City has offered to make a payment to MA in consideration of its work towards the financing of the Projects and MA has agreed to accept such payment, to terminate the Letter and to release the City from any and all claims asserted by MA against City with respect to the Letter and the financing of the Projects, whether known or unknown, pursuant to the terms set forth herein.

NOW THEREFORE, for and in consideration of the terms and conditions of this Agreement, and the mutual benefits to be derived herefrom, the Parties agree as follows:

AGREEMENT

1. Termination and Release Payment. The City agrees to pay to MA the sum of $22,500.00 (the "Termination and Release Payment"), to be remitted on or about April 27, 2011, from the proceeds of the COPs.

2. MA's Acceptance and Release. MA, on behalf of itself, all its respective predecessors, successors, assigns, administrators, personnel, representatives, parents, subsidiaries, their respective divisions, members, trustees, managers, affiliated or related entities or organizations, attorneys, respective past and present agents, employees, directors, officers, consultants, experts, and each of them, and anyone claiming through, by or under them (collectively, "MA Releasing Parties"), does hereby accept the Termination and Release Payment and does hereby release and forever discharge the City, and all of its predecessors, successors, heirs, executors, administrators, personnel, representatives, assigns, parents, subsidiaries, divisions, members, trustees, managers, affiliated or related entities or organizations, attorneys, respective past and present agents, employees, directors, officers, consultants, experts, insurers, re-insurers, and each of them, and anyone claiming through, by or under them, from any and all actions, causes of action, suits, claims, demands, rights, judgments, damages, losses, costs and expenses or any of them (including attorneys' fees and

costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent, which they now have, own, or hold, or at any time previously had, owned, or held, arising out of conduct or matters occurring on or prior to the date of this Agreement, and which arise out of or relate to the Letter, the COPs or the financing of the Projects.

The MA Releasing Parties acknowledge and agree that they may hereafter discover facts, evidence or legal theories in addition to or different from those which they now know and/or believe to be true with respect to the subject matter of the release herein. However, it is the Parties' intention to fully, finally, and forever settle and resolve all of the disputes and differences, known or unknown, suspected or unsuspected, contingent and non-contingent, which now exist, may exist or hereto have existed between and among them. In furtherance of such intention, the MA Releasing Parties acknowledge that each of the respective releases herein given shall be and remain in effect as a full and complete general release, notwithstanding the discovery or existence of any such additional or different facts, evidence or legal theories.

3. No Release from Duties or Obligations Created By Agreement. This Agreement does not release any Party from any duties or obligations created by this Agreement.

4. No Publicity; No Disclosure of Proprietary Information. The Parties covenant and agree not to issue any press release, notice or otherwise take any affirmative action to publicize or disclose (1) the identities of the Parties to this Agreement or (2) the terms of this Agreement, (i) to any periodical, newspaper, news service, press agency, news media, municipal bond industry publication, public finance industry publication, public agency publication, or other trade journal or media, or (ii) at seminars, speeches, conventions and the like, or (iii) to any other person, firm, organization or entity, of any and every type, public or private.

The City covenants and agrees not to issue any press release, notice or otherwise take any affirmative action to publicize or disclose (i) to any periodical, newspaper, news service, press agency, news media, municipal bond industry publication, public finance industry publication, public agency publication, or other trade journal or media, or (ii) at seminars, speeches, conventions and the like, or (iii) to any other person, firm, organization or entity, of any and every type, public or private, the terms of the Letter or of any financing structures described by MA that MA purports to be or has indicated to the City are proprietary to it.

5. Successors. This Agreement shall be binding upon and inure to the benefit of the successors, transferees and assigns of each of the Parties hereto.

6. Preparation of This Agreement and Construction of Its Terms. The Parties agree that this Agreement shall be regarded and deemed as having been prepared jointly by the Parties hereto. Any ambiguity or uncertainty existing herein shall not be interpreted or construed against any Party by virtue of who may have drafted such provision.

7. Amendment to this Agreement. This Agreement may not be altered, amended, modified, or otherwise changed in any respect or particular whatsoever except by a writing signed by all Parties hereto.

8. Execution in Counterparts. The Parties agree that this Agreement may be executed in counterparts and that it is the intent of the Parties that the copy signed by a Party will be fully enforceable against such Party, and all signed counterparts shall be deemed to be an original. A faxed, electronic, or digital signature shall have the same force and effect as though it were an original signature.

9. Governing Law. This Agreement shall be construed in accordance with, and all disputes hereunder shall be governed by, the laws of the State of California, without regard to its conflict of laws principles.

10. Severability. Should any part, term, or provision of this Agreement be declared or determined to be illegal or invalid, the validity of the remaining parts, terms, and provisions shall not be affected thereby, and said illegal or invalid part, term, or provision shall be deemed not to be part of this Agreement.

11. Entire Agreement. This Agreement sets forth the entire agreement between the Parties, and there are no other oral or written agreements between the Parties concerning the subject matter of this Agreement. This Agreement supersedes any and all prior agreements or understandings between the Parties pertaining to the subject matter hereof.

12. Waiver. Acceptance by any Party of any performance less than required by this Agreement shall not be deemed to be a waiver of the rights of such Party to enforce all of the terms and conditions of this Agreement. No waiver of any right under this Agreement shall be binding or enforceable unless reduced to writing and signed by the Party to be charged therewith.

13. Authority. Each Party warrants and represents that the signatory executing this Agreement on its behalf is duly authorized to execute and enter into this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first shown above:

CITY OF BENICIA

By _____
Robert Sousa
Finance Director

APPROVED AS TO FORM:

_____
City Attorney

MUNICIPAL ACQUISITIONS

By _____
Jonathan Kling
Chief Executive Officer

IX.D.140

$_____
CERTIFICATE OF PARTICIPATION
(2011 Energy Conservation Projects)
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the CITY OF BENICIA, CALIFORNIA
As the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

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CERTIFICATE PURCHASE AGREEMENT

April 12, 2011

City of Benicia
250 East L Street
Benicia, CA 94510

Ladies and Gentlemen:

The undersigned, _____, as underwriter (the "Underwriter"), hereby offers to enter into this Certificate Purchase Agreement (this Certificate Purchase Agreement, together with the exhibits hereto, being herein called the "Purchase Agreement") with the City of Benicia (the "City"), which, upon acceptance, will be binding upon the City and the Underwriter. This offer is made subject to the acceptance by the City, by execution of this Purchase Agreement and its delivery to the Underwriter prior to 5:00 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to such acceptance. All terms not defined herein shall have the meanings set forth in the Trust Agreement (hereinafter defined).

The City hereby acknowledges and agrees that (a) the purchase and sale of the Certificates pursuant to this Certificate Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter, (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the City, (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering and sale of the Certificates contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering and sale of the Certificates contemplated hereby except the obligations expressly set forth in this Certificate Purchase Agreement, and (d) the City has their own legal, financial and other advisors to the extent it has deemed appropriate, in connection with the Certificates and the matters contemplated by this Certificate Purchase Agreement.

Section 1. **Purchase and Sale**. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein set forth, the City hereby agrees to sell and deliver to the Underwriter all of the $_____ aggregate principal amount of City of Benicia Certificates of Participation (2011 Energy Conservation Projects) (the "Certificates"), evidencing the direct, undivided fractional interests of the owners thereof in lease payments (the "Lease Payments") to be made by the City pursuant to a Lease Agreement, dated as of April 1, 2011 (the "Lease Agreement"), with the Public Property Financing Corporation of California (the "Corporation"). The purchase price of the Certificates shall be $_____ (representing an aggregate principal amount of the Certificates of $_____, plus an net original issue premium of $_____, and less an Underwriter's discount of $_____). As an accommodation to the City, the Underwriter will pay, from the purchase price, the sum of $_____ to Assured Guaranty Municipal Corp. ("AGM") as the premium for its municipal bond insurance policy issued for the Certificates (the "Municipal Bond Insurance Policy") and the sum of $_____ to AGM as the premium for its reserve fund municipal bond insurance policy issued for the Certificates (the "Reserve Fund Policy").

The Underwriter agrees to make a bona fide public offering of all the Certificates at the initial public offering prices (or yields) set forth on Exhibit A attached hereto. After the initial offering, the Underwriter reserves the right to change such public offering prices as the Underwriter shall deem necessary in marketing the Certificates.

Section 2. **The Certificates**. The Certificates will be dated their date of delivery and will be substantially in the form described in, shall be authorized, executed and delivered under the provisions of, and shall be payable as provided in, the Trust Agreement by and among the Corporation, the City, and U.S. Bank National Association, as trustee (the "Trustee"), dated as of April 1, 2011 (the "Trust Agreement"). The Certificates are being executed and delivered to provide funds to (a) finance various energy conservation projects throughout the geographic boundaries of the City, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

The City will lease certain land and the improvements thereon (the "Property") to the Corporation pursuant to a Site and Facility Lease, dated as of April 1, 2011 (the "Site Lease"). The Corporation will sublease the Property back to the City pursuant to the Lease Agreement. The Corporation will assign its right to receive Lease Payments from the City under the Lease to the Trustee pursuant to an Assignment Agreement, dated as of April 1, 2011 (the "Assignment Agreement").

The payment of the principal and interest with respect to the Certificates when due will be insured by the Municipal Bond Insurance Policy issued by AGM.

The City will also enter into a Continuing Disclosure Certificate, dated the Closing Date (the "Continuing Disclosure Certificate"). The Trust Agreement, the Site Lease, the Lease Agreement, the Assignment Agreement, the Continuing Disclosure Certificate and this Purchase Agreement are hereinafter referred to as the "Legal Documents."

Section 3. **The Official Statement**.

(a) By its acceptance of this proposal, the City ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement, dated April 6, 2011, relating to the Certificates (including the cover page, all

appendices and all information incorporated therein, the "Preliminary Official Statement"). The City hereby certifies that such Preliminary Official Statement is deemed final as of its date, for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") except for certain omissions with respect to the pricing of the Certificates permitted to be omitted therefrom by Rule 15c2-12, and has executed and delivered a certificate in substantially the form attached hereto as Exhibit B.

The City hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12, the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the City and the Underwriter, the "Official Statement") in such quantity as the Underwriter shall reasonably request. The City has approved the use and distribution by the Underwriter of the Official Statement, and the City hereby authorizes the use by the Underwriter of the Legal Documents in connection with the offer and sale of the Certificates.

Section 4. **Closing**. At 8:00 A.M., California time, on April 27, 2011, or at such other time and date as may be agreed upon by the City and the Underwriter (the "Closing Date"), (i) the City will cause to be delivered to the Underwriter the Certificates in definitive form, bearing CUSIP numbers and fully registered, through the book-entry system of The Depository Trust Company, New York, New York ("DTC"); and (ii) the City will cause to be delivered to the Underwriter the other documents herein mentioned at the offices of Quint & Thimmig LLP in San Francisco, California, or another place to be agreed upon by the City and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 hereof in immediately available funds to the order of the Trustee on behalf of the City. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing." Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Certificate nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Certificates on the Closing Date in accordance with the terms of this Purchase Agreement.

Section 5. **Representation, Warranties and Covenants of the City**. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a municipal corporation and general law city, duly organized and validly existing under the Constitution and laws of the State of California. The City has all necessary power and authority and has taken all official action necessary to enter into and perform its duties under the Trust Agreement, the Site Lease, the Lease Agreement, the Continuing Disclosure Certificate and this Purchase Agreement (collectively, the "City Documents"). The City Documents and the Official Statement have been duly executed and delivered by the City and, assuming the due authorization, execution and delivery by the other respective parties thereto, the City Documents to the best knowledge of the City will constitute legally valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

(b) To the best of its knowledge, except as may be required under Blue Sky or other securities laws of any state (as to which no representation is made), there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the City required for the execution, delivery and sale of the

Certificates or the consummation by the City of the transactions contemplated by the City Documents and by the Official Statement, which has not been duly obtained or made on or prior to the date hereof.

(c) To the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court or governmental or public entity pending or threatened against the City which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, or contesting the powers of the City to enter into or perform its obligations under any of the City Documents or the existence or powers of the City.

(d) the distribution of the Preliminary Official Statement and the Official Statement have been duly authorized by the City and as of the date hereof and at all times subsequent thereto up to and including the time of the Closing, the statements and information contained in the Official Statement (excluding statements under the captions "THE CORPORATION," "UNDERWRITING," information relating to DTC and the book-entry only system, AGM, the Municipal Bond Insurance Policy, the Reserve Fund Policy and information as to bond prices on the cover of the Official Statement, as to which no opinion or view is expressed) are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit to state a material fact required to be stated therein or necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(e) The City agrees that, if at any time before the Closing Date any event of which it has knowledge occurs, as a result of which the Official Statement as then in effect would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the City shall promptly prepare or cooperate in the preparation of an amendment or supplement to the Official Statement if in the opinion of the City and the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement. The City shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The City shall promptly advise the Underwriter of the institution of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

If the information relating to the City contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subparagraph, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein concerning the City or the City's affairs, in the light of the circumstances under which it was presented, not misleading.

(f) The City shall furnish or cause to be furnished to the Underwriter, in such quantities as shall be reasonably required by the Underwriter, copies of the Official Statement and all amendments and supplements thereto, in each case as soon as available.

(g) The proceeds from the sale to the Underwriter of the Certificates will be applied in the manner and for the purposes specified in the Trust Agreement.

(h) The resolution of the City approving the execution and delivery of the City Documents and the Official Statement has been duly adopted by the City, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(i) To the best of its knowledge, neither the execution and delivery by the City of the City Documents nor the City's adoption of the resolution, nor the City's compliance with such documents or such resolution, nor the consummation of the transactions contemplated by such documents, such resolution or the Official Statement, conflicts with or constitutes a breach of or default under, or will conflict with or constitute a breach of or default under, any term or provision of any applicable law or any administrative rule or regulation of the State of California or the United States or any applicable judgment, decree, order, license, permit, agreement or instrument to which the City is subject or is otherwise bound has or will have a material adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instruments.

(j) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offer and sale under the securities or Blue Sky laws of as many jurisdictions of the states of the United States as the Underwriter may request; provided, however, that the City will not be required to expend any of its own funds in connection with such qualifications and will not be required to consent to service of process in any such jurisdiction in which it is not now subject to service of process or to qualify as a broker or a foreign corporation in connection with any such qualification in any jurisdiction.

(k) The City covenants that it will not take any action which would cause interest payable with respect to the Certificates to be subject to federal income taxation or State of California personal income taxation.

(l) The City has not failed to comply with any previous continuing disclosure undertaking within the prior 5 years.

Section 6. **Conditions to the Obligations of the Underwriter**. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the City contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the performance by the Corporation and the City of their obligations, to be performed hereunder and under the Legal Documents, at or prior to the Closing Date and the following additional conditions:

(a) at the time of Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and all such reasonable actions as, in the opinion of Special Counsel or counsel to the Underwriter, shall reasonably deem necessary in connection with the transactions contemplated hereby;

(b) between the date hereof and the Closing Date, the market price or marketability, at the initial public offering prices set forth on the cover page of the Official Statement, of the Certificates shall not have been materially adversely affected, in the reasonable judgment of the Underwriter, by reason of any of the following:

(i) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, the Secretary of the Treasury or any member of Congress, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed), official statement, press release or other form of notice or communication issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States, by the President or other agency of the federal government or members of Congress with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest as would be received by the owners of the Certificates;

(ii) the declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the normal operation of the government of or the financial community in the United States;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(iv) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters; or

(v) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or (ii) the execution and delivery, offering or sale of obligations of the general character of the Certificates, or the execution and delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(c) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) the Legal Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(ii) the approving opinion of Special Counsel, dated the Closing Date and addressed to the City, in substantially the form attached as Appendix B to the Official Statement, together with a reliance letter addressed to the Underwriter;

(iii) a supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter and the City, in form and substance acceptable to each of them to the effect that:

(A) the statements in the Official Statement under the captions, "INTRODUCTION," "THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES," "CONTINUING DISCLOSURE," "TAX MATTERS," APPENDIX B – FORM OF SPECIAL COUNSEL OPINION, APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS, AND APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE insofar as such statements purport to summarize certain provisions of the Certificates, security for the Certificates, the Trust Agreement, the Site Lease, the Lease, the Assignment Agreement, the Continuing Disclosure Certificate and the legal opinion of Special Counsel with respect thereto concerning the validity and tax status of interest with respect to the Certificates, are accurate in all material respects; but excluding therefrom information about DTC and the book-entry only system;

(B) the Purchase Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Underwriter, constitutes the valid and binding agreement of the City enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights and by the application of equitable principles if equitable remedies are sought; and

(C) the Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification as an Trust Agreement pursuant to the Trust Indenture Act of 1939, as amended;

(iv) the opinion of Quint & Thimmig LLP, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the City and the Underwriter, to the effect that, based upon its participation in the preparation of the Official Statement as Disclosure Counsel and upon the information made available to it in the course of the foregoing, but without having undertaken to determine or verify independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (except to the extent expressly set forth in the opinion referred to in Section 7(c)(iii) above), nothing has come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement that causes them to believe that the Official Statement as of its date or as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, are not misleading (except for the description of any litigation, any information relating to DTC, Cede & Co., the book-entry system, AGM, the Reserve Fund Policy, the Municipal Bond Insurance Policy, any financial statements, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, as to all of which they express no view);

(v) the opinion of the City Attorney, dated the Closing Date, and addressed to the Underwriter, to the effect:

(A) The City is a municipal corporation and general law city duly formed and validly existing under the laws of the State of California.

(B) The resolution of the City Council of the City approving the City Documents (the "City Resolution") was duly adopted at a meeting of the City Council of the City on April 5, 2011, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the City Resolution is in full force and effect and has not been modified, amended or rescinded.

(C) To the best of such counsel's knowledge, the authorization, execution and delivery of the City Documents by the City and compliance with the provisions thereof by the City of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the City is subject or by which it is bound.

(D) There is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, government agency, public board or body, pending and notice of which has been served on the City, or to the best of such counsel's knowledge, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or contesting or affecting as to the City the validity or enforceability of the City Documents, or contesting the powers of the City for the execution and delivery by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated thereby.

(vi) a certificate, dated the Closing Date, signed by a duly authorized official of the City satisfactory in form and substance in the reasonable judgment of the Underwriter to the effect that:

(A) the City is a municipal corporation and general law city, duly organized and existing under the laws of the State of California and has all necessary power and authority to enter into and perform its duties under the City Documents;

(B) by official action of the City, the City has approved the execution and delivery of and the performance by the City of the obligations on its part contained in the City Documents;

(C) the execution and delivery of the City Documents to which it is a party, compliance with the provisions thereof and performance of its duties thereunder, will not conflict with or constitute a breach of or default under the City's duties under any law, administrative regulation, judgment, decree, note, resolution, charter, by-law or other agreement to which the City is a party or is otherwise subject or by which its properties may be affected;

(D) the information relating to the City contained in the Official Statement does not contain any untrue or misleading statement of a material fact or omit to state any material fact which is necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading;

(E) to the best knowledge of the City, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the City required for the execution, delivery and sale of the Certificates or the consummation by the City of the transactions on its part contemplated by the City Documents;

(F) to the best knowledge of the City, the City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents;

(G) there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court or governmental agency or body, pending or, to the best knowledge of the City, threatened against the City, except as disclosed in the Official Statement, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Certificates or the City Documents or contesting the powers of the City to enter into or perform its obligations under any of the foregoing; and

(H) the City covenants that it will not take any action which would cause interest with respect to the Certificates to be subject to federal income taxation or California personal income taxes;

(vii) a certificate of the Trustee, dated the Closing Date, signed by a duly authorized officer of the Trustee, and in form and substance satisfactory to the Underwriter, to the effect that:

(A) the Trustee is a national banking association duly organized and existing under and by virtue of the laws of the United States of America authorized to carry out corporate trust powers and has all necessary power and authority to enter into and perform its duties under the Trust Agreement and the Assignment Agreement and to execute the Certificates;

(B) the representations of the Trustee in the Trust Agreement and the Assignment Agreement are true and correct in all material respects as of the Closing Date;

(C) to the best of its knowledge, no litigation is pending or threatened (either in state or federal courts) (1) to restrain or enjoin the execution or delivery of any of the Certificates or the collection of revenues pledged under the Lease Agreement, or (2) in any way contesting or affecting any authority for the execution or delivery of the Certificates or the validity or enforceability of the Trust Agreement or the Assignment Agreement;

(D) the Trustee is duly authorized to execute and deliver the Certificates to the Underwriter upon instruction by the City pursuant to the terms of the Trust Agreement, and the Trust Agreement and the Assignment Agreement constitute legal, valid and binding obligations of the Trustee enforceable in accordance with its respective terms;

(E) to the best of its knowledge, the execution and delivery of the Trust Agreement and the Assignment Agreement, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, the Trustee's duties under said documents or any law, administrative regulation, court decree, resolution, charter, bylaws or other agreement to which the Trustee is subject or by which it is bound; and

(F) the Certificates have been validly executed and delivered by the Trustee;

(viii) the opinion of counsel to the Trustee, addressed to the Underwriter and the City, dated the Closing Date, to the effect that;

(A) the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America, with full corporate power to enter into the Trust Agreement and the Assignment Agreement and to accept the trust as provided therein, and to perform its obligations under the Trust Agreement and the Assignment Agreement;

(B) the Trustee has duly authorized, executed and delivered the Trust Agreement and the Assignment Agreement and by all proper corporate action has authorized the acceptance of the trust of the Trust Agreement;

(C) assuming the due authorization, execution and delivery by the other party to the Trust Agreement and the Assignment Agreement, the Trust Agreement and the Assignment Agreement, constitute legally valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally;

(D) the Certificates have been validly executed by the Trustee; and

(E) to the best of such counsel's knowledge, no authorization, approval, consent or order of any governmental agency or any other person or corporation is required for the valid authorization, execution and delivery of the Trust Agreement and the Assignment Agreement by the Trustee or the authentication by the Trustee of the Certificates;

(ix) The Reserve Fund Policy and the Municipal Bond Insurance Policy each issued by AGM;

(x) A certificate of AGM or an opinion of counsel to AGM, dated the date of the Closing, to the effect that the information in the Official Statement regarding the Reserve Fund Policy, the Municipal Bond Insurance Policy and AGM under the caption "MUNICIPAL BOND INSURANCE" and contained in APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY is accurate in all material respects;

(xi) An opinion of counsel to AGM as to the validity and enforceability of the Reserve Fund Policy and the Municipal Bond Insurance Policy, in form and content satisfactory to Special Counsel and Underwriter's Counsel;

(xii) a copy of the Official Statement, executed on behalf of the City;

(xiii) a copy of the general resolution of the Trustee authorizing the execution and delivery of the Trust Agreement and the Assignment Agreement;

(xiv) a copy of all resolutions relating to the Certificates, the Official Statement and the Legal Documents adopted by the Corporation and the City, as applicable, and certified by an authorized official of the Corporation and the City;

(xv) a tax certificate by the City in form and substance acceptable to Special Counsel;

(xvi) a letter from Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P"), indicating that the Certificates have been rated "AA+" based upon the issuance of the Municipal Bond Insurance Policy, and that the Certificates have received the underlying rating of "A+"

(xvii) such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel and counsel to the Underwriter, if any, may reasonably request to evidence compliance by the Corporation and the City with legal requirements, the truth and accuracy, as of the Closing Date, of the representations and warranties of the City contained herein, and the due performance or satisfaction by the Corporation and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Corporation and the City.

Section 7. **Changes in Official Statement**. After the Closing, the City will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall object in writing. Within 90 days after the Closing or within 25 days following the end of the underwriting period, whichever occurs first, if any event relating to or affecting the Certificates, the Trustee, the Corporation or the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the City will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with a nationally recognized municipal securities repository. For the purposes of this section the Trustee, the Corporation and the City will each furnish such information with respect to itself as the Underwriter may reasonably request from time to time during such period.

Section 8. **Expenses**. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the City shall pay from the proceeds of the Certificates or otherwise, all expenses and costs of the City and the Corporation incident to the performance of their obligations in connection with the authorization, execution, sale and delivery of the Certificates to the Underwriter, including, without limitation, printing costs, rating agency fees and charges, initial fees of the Trustee, including fees and disbursements of its counsel, if any, fees and disbursements of Special Counsel and Disclosure Counsel and other professional advisors employed by the City or the Corporation and costs of preparation, printing, signing, transportation, delivery and safekeeping of the Certificates. The Underwriter shall pay all out-of-pocket expenses of the

Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Service Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Certificates, shall be paid by the Underwriter.

Section 9. **Notices**. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to _____, _____, Attention: _____. Any notice or communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City's addresses, set forth above, Attention: Finance Director.

The approval of the Underwriter when required hereunder or the determination of the Underwriter's satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

Section 10. **Parties in Interest**. This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the City in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment of the Certificates.

Section 11. **Counterparts**. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 12. **Governing Law**. This Purchase Agreement shall be governed by the laws of the State of California.

_____, as Underwriter

By _____
Authorized Officer

Accepted and Agreed to:

CITY OF BENICIA

By _____
Finance Director

APPROVED AS TO FORM:

_____
City Attorney

EXHIBIT A

MATURITY SCHEDULE

$_____
CERTIFICATE OF PARTICIPATION
(2011 Energy Conservation Projects)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
CITY OF BENICIA, CALIFORNIA
As the Rental for Certain Property Pursuant to a Lease Agreement
with the Public Property Financing Corporation of California

MATURITY SCHEDULE

Maturity Date (April 15)	Principal Amount	Interest Rate	Yield	Price

REDEMPTION PROVISIONS

Extraordinary Redemption. The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the City, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

Optional Redemption. The Certificates maturing on or before April 15, ____, are not subject to optional redemption prior to maturity. The Certificates maturing on and after April 15, ____, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after April 15, ____, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium, from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement.

Special Optional Redemption. The Certificates are subject to special mandatory redemption in part on and after April 15, 2013, from amounts, not exceeding $500,000, remaining on deposit in the Project Fund held by the Trustee and credited towards the prepayment of the Lease Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Certificates maturing on April 15, ____, are subject to mandatory redemption in part on April 15 in each year on and after April 15, ____, to and including April 15, ____, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (April 15)	Principal Amount of Certificates to be Redeemed

†Maturity.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 6, 2011

NEW ISSUE—FULL BOOK ENTRY

RATINGS:
S&P: "AA+" (stable outlook) (AGM-insured)
S&P: "A+" (Underlying)
(See "RATINGS" herein)

In the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel, subject to compliance by the City with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$13,250,000*
CERTIFICATES OF PARTICIPATION
(2011 Energy Conservation Projects)
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the CITY OF BENICIA
(Solano County, California)
As the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Dated: Date of Delivery **Due: April 15, as set forth below**

The $12,250,000* Certificates of Participation (2011 Energy Conservation Project) (the "Certificates"), are being executed and delivered to provide funds to (a) finance various energy conservation projects throughout the geographic boundaries of the City, (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay costs incurred in connection with executing and delivering the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the City of Benicia, California (the "City") to the Public Property Financing Corporation of California (the "Corporation") for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of April 1, 2011, by and between the Corporation and the City (the "Lease Agreement"). The Corporation will assign its right to receive Lease Payments from the City under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the City thereunder to U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each April 15 and October 15, commencing October 15, 2011. The Certificates may be executed and delivered in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

The Certificates are subject to redemption, as described herein.

The City will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP. (formerly known as Financial Security Assurance Inc.). See "MUNICIPAL BOND INSURANCE" herein.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

MATURITY SCHEDULE*

$_____ Serial Certificates

CUSIP Prefix: _____†

Maturity (April 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†	Maturity (April 15)	Principal Amount	Interest Rate	Price or Yield	CUSIP Suffix†

$_____ ____% Term Certificates due April 15, ____, Price: _____%, to Yield ____%—CUSIP† _____

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, San Francisco, California, as Special Counsel. Certain matters will be passed upon for the City by Heather McLaughlin, Esq., City Attorney. Certain matters will be passed upon for the City by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about April 27, 2011.

Dated: April ___, 2011

*Preliminary, subject to change.

† Copyright 2011, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. The City is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

IX.D.156

CITY OF BENICIA, CALIFORNIA

250 East L Street
Benicia, CA 94510
(707) 746-4200
(707) 747-8120 (Fax)

http://www.ci.benicia.ca.us/

CITY COUNCIL

Elizabeth Patterson, *Mayor*
Alan Schwartzman, *Vice Mayor*
Tom Campbell, *Council Member*
Mark Hughes, *Council Member*
Mike Ioakimedes, *Council Member*

CITY OFFICIALS

Brad Kilger, *City Manager*
Rob Sousa, *Finance Director*
Heather McLaughlin, Esq., *City Attorney*
Charlie Knox, *Public Works & Community Development Director*

SPECIAL SERVICES

Financial Advisor
Wulff, Hansen & Co.
San Francisco, California

Special Counsel and Disclosure Counsel
Quint & Thimmig LLP
San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the City and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director Finance for further information. See "INTRODUCTION—Other Information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City's forecasts in any way. Neither the City nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The City maintains a website. Unless specifically indicated otherwise, the information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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BENICIA • CALIFORNIA

$13,250,000*
CERTIFICATES OF PARTICIPATION
(2011 Energy Conservation Projects)
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the CITY OF BENICIA as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of $13,250,000* aggregate principal amount of Certificates of Participation (2011 Energy Conservation Projects) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2011 (the "Trust Agreement"), by and among the City of Benicia (the "City"), the Public Property Financing Corporation of California (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee").

Proceeds of the Certificates will be used to (a) finance various energy conservation projects throughout the geographic boundaries of the City (the "Projects"), (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates. See "PLAN OF FINANCING."

The City will lease its City Hall building and a community facility known as the Clocktower Fortress(collectively, the "Property") to the Corporation pursuant to a Site and Facility Lease, dated as of April 1, 2011 (the "Site and Facility Lease"), between the City and the Corporation. The Corporation will lease the Property back to the City pursuant to a Lease Agreement, dated as of April 1, 2011 (the "Lease Agreement"). The Certificates are payable solely from and secured by certain lease payments ("Lease Payments") to be made by the City to the Corporation pursuant to the Lease Agreement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "THE PROPERTY."

Interest with respect to the Certificates is payable on April 15 and October 15 of each year, commencing October 15, 2011. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the cover of this Official Statement. See "THE CERTIFICATES."

* Preliminary, subject to change.

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See "THE CERTIFICATES—Book-Entry Only System" and APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Agreement Payments to be paid by the City to the Corporation pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Agreement Payments are payable by the City from its general fund for the right to use and possess the Property. The Lease Agreement Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant under the Lease Agreement to take such action as necessary to include the Lease Agreement Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of April 1, 2011 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the City for the purpose of securing the payment of principal and interest with respect to the Certificates. See "SOURCE OF PAYMENT FOR THE CERTIFICATES" and "RISK FACTORS."

A Reserve Fund equal to the Reserve Requirement will be established and maintained by the Trustee pursuant to the Trust Agreement. Money in the Reserve Fund will be used by the Trustee in the event amounts in the Lease Agreement Payment Fund are insufficient to pay principal and/or interest with respect to the Certificates. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund."

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Municipal Bond Insurance

Payment of the principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy (the "Municipal Bond Insurance Policy") to be issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") simultaneously with the delivery of the Certificates. See "MUNICIPAL BOND INSURANCE." In addition, AGM will issue a municipal bond insurance policy for the Reserve Fund with respect to the Certificates (the "Reserve Fund Insurance Policy") in an amount equal to the Reserve Requirement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund."

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The City

The City is located in the hills in the southern most area of Solano County (the "County") overlooking Carquinez Straits, 35 miles northeast of San Francisco and 57 miles southwest of Sacramento. The City encompasses about 13.5 square miles in the south central area of the County. As of January 1, 2010, the population was approximately 28,086. See "THE CITY," "CITY FINANCIAL INFORMATION" and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY.

Continuing Disclosure

The City will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE" and APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at One California Street, Suite 1000, San Francisco, CA 94111.

Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the City's website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the City and the City makes no representation regarding the accuracy or completeness of the information therein.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par amount of the Certificates	
Plus: Original Net Premium	
Total Sources	
Uses	
Deposit to Project Fund (1)	
Deposit to Lease Payment Fund (2)	
Deposit to Delivery Costs Fund (3)	
Total Uses	

(1) Amounts deposited in the Project Fund will be applied to the financing of the Projects. See PLAN OF FINANCING.
(2) Represents capitalized interest with respect to a portion of the Certificates through April 15, 2012.
(4) Delivery Costs include the Underwriter's discount, fees and expenses of Special Counsel, Disclosure Counsel and the Trustee, printing expenses, rating fees, title insurance, premiums for the Municipal Bond Insurance Policy and the Reserve Fund Insurance Policy and other costs.

PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) finance the Projects, (b) purchase the Reserve Fund Insurance Policy in lieu of cash funding a reserve fund for the Certificates, (c) fund capitalized interest with respect to a portion of the Certificates through April 15, 2012, and (d) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates

The Projects seek to convert City energy use from non-renewable to renewable (solar photovoltiac) sources and improve energy efficiency at City facilities. With the installation of solar arrays at 10 locations, some carport and others ground-mounted, the City will take 30% of its energy use off the grid. In addition, the upgrading of lighting fixtures in City buildings, plus the retrofitting of more than 2,000 sodium vapor streetlights citywide with induction lights, will achieve a 9% increase in energy efficiency. The streetlight retrofit alone represents a 55% increase in energy efficiency for those components. The Projects also include a model low-impact development improvement for collection of storm runoff at the city hall parking lot site.

PROPERTY

Pursuant to the Site and Facility Lease, the City will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the City. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE and APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Property consists of the Benicia City Hall and the Clocktower Fortress.

The Benicia City Hall. The current City Hall is the former Benicia High School complex and was completed in 1926. The building was designed by George C. Sellon, the first State Architect of the State of California. The original school building was designed to accommodate

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200 students and the auditorium, along with its balcony, could seat 400. The auditorium was used for assemblies and study hall and, at one time, a library occupied the rear corner. By 1961, the High School complex had become too small for a growing community and the Benicia High School moved to its present location on Military West. The City then purchased the complex and renovated it into the current City Hall. All City government functions are conducted in the City Hall complex which includes the City Council Chambers.

The Clocktower Fortress. Built in 1859, this sandstone military bastion was strategically built atop Army Point to control the key passageway of Carquinez Strait to the gold mines of the interior and was designed to protect the post from Indian attacks, although the "Old Fort" never fired a shot in anger, even during the alarms of Civil War days. The three-story structure was as much a fort as storehouse, with its roof crenellated with battlements, and its two towers, like castle keeps, topped by lookouts. These were actually shot towers for the casting of balls for cartridges. The walls were pierced by apertures for cannon, and by slits for defensive, close-in, musket fire. In 1912 a fire resulted in an explosion which decapitated the building. The gutted fortress was rebuilt two years later as a two-story building but with one tower. The name was changed from Old Fort to The Clocktower. The six-day Seth Thomas clock (now stopped) set into its tower was operated by a mechanism consisting of an unwinding cable, weighted by a cannon ball, on a windlass. Still a large building, its upstairs hall is the largest community facility in Benicia, with a maximum capacity of 750 people (536 seating capacity), serving a variety of uses from community civic functions to dances, private parties, and receptions. It is located in the Arsenal at 1189 Washington Street.

For a description of certain terms of the Lease Agreement see “SOURCE OF PAYMENT FOR THE CERTIFICATES” and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Pursuant to the Lease Agreement, the City may substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution of Site or Facility” and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The City has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limited Recourse on Lease Agreement Default” and “—Limitations on Remedies.”

ANNUAL DEBT SERVICE

The following table shows the scheduled annual debt service for the Certificates:

Year Ending April 15	Principal*	Interest	Total
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
TOTAL			

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of $5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on April 15 and October 15 of each year, commencing October 15, 2011 (each an "Interest Payment Date"), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of "Cede & Co." as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See "THE CERTIFICATES—Book-Entry Only System."

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect

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thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before October 1, 2011, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on or before April 15, 2017, are not subject to optional redemption prior to maturity. The Certificates maturing on and after April 15, 2018, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after April 15, 2017, at the redemption price shown in the following table, together with accrued interest to the date fixed for redemption, from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement:

Redemption Period	Redemption Premium
April 15, 2017 through April 14, 2018	2%
April 15, 2018 through April 14, 2019	1
April 15, 2019 and thereafter	0

Special Optional Redemption. The Certificates are subject to special optional redemption in part on and after April 15, 2013, from amounts, not exceeding $500,000, remaining on deposit in the Project Fund held by the Trustee and credited towards the prepayment of the Lease Agreement Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Certificates maturing on April 15, ____, are subject to mandatory redemption in part on April 15 in each year on and after April 15, ____, to and including April 15, ____, from the principal components of scheduled Lease Payments required to be paid by the City pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (April 15)	Principal Amount of Certificates to be Redeemed

†Maturity.

Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award. The Certificates are subject to extraordinary redemption in whole on any date or in part on any Interest Payment Date from the Net Proceeds of an insurance, title insurance, condemnation or eminent domain award, to the extent credited towards the prepayment of the Lease Agreement Payments by the City pursuant to the Lease Agreement, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Selection of Certificates for Redemption. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the City (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of $5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the City in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

Effect of Redemption. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Transfer and Exchange of Certificates

The registration of any Certificate 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 his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in

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a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the City or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX F—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the City will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Agreement Payments. Pursuant to the Lease Agreement, the City will lease the Property from the Corporation and agree to make Lease Payments. See "PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the City may substitute the Property with other properties. See "Substitution of Site or Facility" below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the City under the Lease Agreement. The Lease Agreement Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Agreement Payments are payable by the City from any source of available funds.

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the City has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. The City will also pay as additional payments ("Additional Payments"), amounts required for the payment of all costs and expenses incurred by the City to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the City's use and occupancy of the Property or any portion thereof. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement."

Insurance

The City is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The City is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the City does not expect to purchase such coverage.

To insure against loss of rental income caused by perils mentioned above, the City is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the City. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The City shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof (other than certain portions of the Property which have been modified by the City as described in the Lease Agreement) to the extent to be agreed upon by the City and the Corporation and communicated by a City Representative to the Trustee. The parties agree that amounts of the Lease Agreement Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon the opinion of an MAI appraiser with expertise in valuing such properties, or based upon any other appropriate method of valuation, in which event the Lease Agreement Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund and/or the Insurance and Condemnation Fund and/or the Lease Agreement Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance," APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—

Insurance and APPENDIX E—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Agreement Payments under the Lease Agreement, in an amount to be agreed upon by the City and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the "Reserve Fund"). Pursuant to the Trust Agreement, immediately after the execution and delivery of the Certificates, the amount deposited in (or credited to) the Reserve Fund will equal the "Reserve Requirement." Except as otherwise expressly provided in the Trust Agreement, all money in the Reserve Fund will be held in trust as a reserve for the payment when due of the Lease Agreement Payments on behalf of the City. "Reserve Requirement" means, as of any date of calculation, an amount equal to $_____, which is equal to maximum annual Lease Payments; *provided, however*, that if the Certificates are partially refunded, such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a City Representative delivered to the Trustee.

AGM will issue the Reserve Fund Insurance Policy, effective as of the date of delivery of the Certificates in an amount equal to the Reserve Requirement.

Optional Prepayment

Pursuant to the Lease Agreement, the City has an option to prepay the principal components of the Lease Agreement Payments in full, by paying the aggregate unpaid principal components of the Lease Agreement Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium. See "THE CERTIFICATES—Redemption—Optional Redemption."

Said option may be exercised with respect to Lease Payments due on and after April 1, 2018, in whole or in part on any date, commencing April 1, 2017. Said option shall be exercised by the City by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be Acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the City. Lease Payments due after any such partial prepayment will be in the

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amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Special Optional Prepayment

Pursuant to the Lease Agreement, the City has an option to prepay the principal components of the Lease Agreement Payments in part on any date on and after April 1, 2013, not to exceed $500,000, from and to the extent of any moneys remaining in the Project Fund following the Completion Date, in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain

The City will be obligated to prepay the Lease Agreement Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Agreement Payment Fund for such purpose pursuant to the Lease Agreement and the Trust Agreement. The City and the Corporation agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the City's obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. See "THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award."

Substitution of Site or Facility

Substitution of Site or Facility. The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the City shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Facility, the City shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iii) The City shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(iv) The City delivers to the Trustee and the Corporation evidence that the value of the Property following such substitution is equal to or greater than the then Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(v) The Substitute Site and/or Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement;

(vi) The City shall obtain an amendment to the title insurance policy required pursuant to Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(vii) The City shall certify that the Substitute Site and/or the Substitute Facility is essential to the City as was the Former Site and/or the Former Facility;

(viii) The City shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the City; and

(ix) The City shall furnish the Corporation and the Trustee with a written opinion of Special Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Agreement Payments to become subject to federal income taxes or State personal income taxes.

Release of Site. The City shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Corporation and the Trustee an amendment to the Lease Agreement which describes the Site, as revised by such release;

(ii) The City delivers to the Trustee and the Corporation evidence that the value of the Site, as revised by such release, is equal to or greater than the then Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the City to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(iv) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(v) The City shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the City.

Amendment of Lease Agreement

The Corporation and the City may, at any time, amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority

in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the Lease Agreement to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the City may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Special Counsel.

MUNICIPAL BOND INSURANCE

AGM has supplied the following information for inclusion in this Official Statement. Neither the City nor the Underwriter makes any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof. Reference is made to APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY for a specimen of the Municipal Bond Insurance Policy to be issued by AGM.

The Municipal Bond Insurance Policy

Concurrently with the issuance of the Certificates, AGM will issue the Municipal Bond Insurance Policy. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest with respect to the Certificates when due as set forth in the form of the Municipal Bond Insurance Policy included as APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

The Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled municipal bond insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA+" (stable outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and "Aa3" (negative outlook) by

Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the "Bond Insurance RFC") in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2011.

Capitalization of AGM

At December 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,578,146,678 and its total net unearned premium reserve was approximately $2,298,456,380, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the

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Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE—Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE."

THE CITY

The City is located in the hills in the southern most area of the County overlooking Carquinez Straits, 35 miles northeast of San Francisco and 57 miles southwest of Sacramento. The City encompasses about 13.5 square miles in the south central area of the County. The County is one of the nine counties comprising the San Francisco Bay Area. The City is a general law city and operates under a council-manager form of government. The City Council consists of five members elected at large for alternating four-year terms, including the Mayor who is also elected to a four-year term. The City Clerk and City Treasurer are the City's other elected officials. The City Manager is appointed by the City Council and serves at the City Council's pleasure as the administrative head of the City. All other City employees are appointed by and are responsible to the City Manager, except the City Attorney who is appointed by the City Council.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY for a general description of the City as well as certain demographic and statistical information.

CITY FINANCIAL INFORMATION

Financial Statements

The City's accounting policies conform to generally accepted accounting principles. The audited financial statements also conform to the principles and standards for public financial reporting established by the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of

related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Audited Financial Statements. The City retained the firm of Mayer Hoffman McCann P.C., San Jose, California (the "City's Auditor"), to examine the general purpose financial statements of the City as of and for the year ended June 30, 2010. The audited financial statements for fiscal year ended June 30, 2010, are included in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010. The City has not requested, and the City's Auditor has not provided, any review or update of such financial statements in connection with their inclusion in this Official Statement.

Budgetary Process

The City Council adopts an annual budget with appropriations for all City funds prior to the beginning of the fiscal year, which begins on July 1 of each year. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the City's operating budget is the program area within each fund, and for the capital improvement budget it is each individual capital improvement project within each fund. For the operating budget, the City Manager has the authority to move appropriations between accounts (without dollar limitation) within a budget program and within the same fund as long as the transfers are within the same program area. For the capital improvement program, the City Manager has the authority to transfer appropriations (with no dollar limitation) between capital projects within the same fund as long as the transfers are within the responsibility of the same department. All other appropriation changes require the approval of the City Council.

All appropriations lapse at the end of the fiscal year unless specific carryovers are approved by the City Council.

The following table shows the City's budget and actual results for general fund revenues and expenditures for fiscal years 2008-09 and 2009-10 and the adopted budget for fiscal year 2010-11.

City of Benicia
General Fund Budget Summary
Fiscal Years 2008-09 through 2010-11

	FY08-09 Budget	FY08-09 Actual	FY09-10 Budget	FY09-10 Actual	FY10-11 Budget
REVENUES					
Secured and unsecured property taxes	$13,250,795	$13,053,648	$12,589,820	$12,468,070	$12,210,765
Taxes based on sales and use	6,442,435	6,958,722	6,412,780	6,490,069	5,882,310
Franchise tax	1,851,220	1,851,511	1,276,710	1,292,872	1,674,230
Other taxes	5,187,170	5,160,896	5,634,645	5,713,146	6,209,445
Licenses and permits	295,130	323,241	295,000	320,466	302,500
Intergovernmental revenues:					
Motor vehicle in lieu	2,029,715	2,059,561	1,994,575	1,951,715	1,964,620
Other governmental revenues					
Grants	430,350	146,155	176,850	154,555	199,505
Charges for services:					
Public safety	151,500	479,875	282,280	211,461	182,280
Development	111,450	96,846	110,400	86,302	110,400
Recreation, parks	923,000	977,342	942,880	1,092,266	979,110
Other services	1,300	162,055	54,600	111,897	31,720
Fines and forfeitures	115,500	115,596	117,000	105,391	137,000
Use of money and property	1,110,935	712,273	636,630	404,460	575,025
Other revenues	1,776,450	296,167	490,965	462,116	1,010,990
TOTAL REVENUES	33,676,950	32,393,888	31,015,135	30,864,786	31,469,900
EXPENDITURES					
Employee services	23,429,725	23,763,640	23,761,830	23,674,130	23,006,430
Operating supplies and services	6,358,625	5,924,935	5,666,305	5,662,345	5,798,220
Special purchases, projects and community funding	2,265,310	2,923,496	1,102,835	825,433	4,515,455
Capital outlay	1,486,165	476,422	616,135	321,461	1,001,080
TOTAL EXPENDITURES	33,539,825	33,088,493	31,147,105	30,483,369	34,321,185

Source: City of Benicia Finance Department.

City Financial Management Policies

The City Council has adopted a comprehensive set of financial management policies to provide for: (i) establishing targeted general fund reserves; (ii) the prudent investment of City funds; and (iii) establishing parameters for issuing and managing debt supported by the general fund, Enterprise Funds and any other related funding entity of the City.

Investment Policy. The investment of funds of the City (except pension and retirement funds) is made in accordance with the City's Investment Policy, most recently approved on October 20, 2009 (the "Investment Policy"), and section 53601 *et seq*. of the California Government Code. The Investment Policy is subject to revision at any time and is reviewed at least annually to ensure compliance with the stated objectives of safety, liquidity, yield, and current laws and financial trends. All amounts held under the Trust Agreement are invested at the direction of the City in Permitted Investments, as defined in the Trust Agreement, and are subject to certain limitations contained therein. See APPENDIX C—CITY INVESTMENT POLICY and APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—TRUST AGREEMENT—Investments.

Current Investments

The assets of the City's investment portfolio, as of June 30, 2010, are shown in the following table:

City of Benicia
Investment Portfolio
(As of June 30, 2010)

Type	Par Value
California Local Agency Inv. Fund (LAIF)	$10,739,743
U.S. Treasury Notes	278,325
Money Market Mutual Funds	531,139
U.S. Government Agencies	28,218,070
Checking and Cash on Hand	3,446,752
Cash with Fiscal Agents	98
Total cash and investments	$45,718,327

Source: City of Benicia.

Reliance on State Budget

Approximately 27% of the City's general fund revenues for fiscal year 2009-10 consisted of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. Approximately 25% of the City's general fund revenues for fiscal year 2010-11 are expected to come from such sources. There can be no assurance that current or future State budget difficulties will not adversely affect the City's revenues or its ability to make payments under the Lease Agreement. See "RISK FACTORS—State Budgets."

Principal Sources of General Fund Revenues

Property taxes were the single largest revenue source to the general fund in fiscal year 2009-10, representing approximately 40% of revenues, followed by sales taxes representing approximately 21%. These sources represented an aggregate of approximately 61% of the general fund revenues for fiscal year 2009-10 and represent an aggregate of approximately 57% of general fund revenues in the City's fiscal year 2010-11 adopted budget. For a discussion of potential State Budget impacts on general fund revenues, see "—State Budgets." For a discussion of sales tax revenues and property taxes, see "—Sales Tax" and "—*Ad valorem* Property Taxation."

In addition, the City receives the following local taxes:

Utility Users Taxes. The City levies a 3.5% utility users tax on communication services (telecommunications, video, including cable TV and IP-TV) and a 4% utility users tax on electricity and gas.

Franchise Taxes. The City levies a franchise tax on its gas, electric, cable television and trash collection franchises.

Transient Occupancy Taxes. The City levies a 9% transient occupancy tax on hotel and motel bills.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

The following table shows the City's general fund tax revenues by source for the most recent five fiscal years:

City of Benicia
Tax Revenues By Source

Source	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Budget 2010-11
Property Taxes	$12,881,657	$13,534,307	$13,053,648	$12,468,070	$12,210,765
Sales and Use Tax	6,285,439	6,794,114	6,958,722	6,490,069	5,882,310
Utility Users Taxes	3,822,197	4,190,517	4,413,428	4,938,585	5,118,445
Franchise Taxes	1,407,818	1,589,752	1,851,511	1,292,872	1,674,230
Other Taxes	859,232	800,810	747,468	774,561	1,091,000
Total Tax Revenues	$25,256,343	$26,909,500	$27,024,777	$25,964,157	$25,976,750

Source: City of Benicia Finance Department.

In addition, the City receives the following general fund revenues:

Licenses and Permits. These revenues consist primarily of building construction permit fees.

Fines, Forfeitures and Penalties. These revenues include parking citations and other fines for municipal code violations.

Use of Money and Property. These revenues consist primarily of investment earnings and rental/concession income.

Charges for Services. The City charges fees for plan checking, building inspection and a variety of other municipal services.

The following table illustrates other revenue sources:

City of Benicia
Other Revenue Sources

Source	Actual 2006-07	Actual 2007-08	Actual 2008-09	Actual 2009-10	Budget 2010-11
Licenses and Permits	$1,829,485	$ 349,130	$ 323,241	$ 320,466	$ $ 302,500
Fines and Forfeitures	109,744	128,770	115,596	105,391	137,000
Use of Money and Property	1,135,249	1,140,963	712,273	404,460	575,025
From Other Agencies	2,105,163	2,153,754	2,205,716	2,106,270	2,164,125
Charges for Services	1,576,731	1,466,190	1,714,122	1,501,926	1,303,510
Total Other Revenues	$6,756,372	$5,238,807	$5,070,948	$4,438,513	$4,482,160

Source: City of Benicia Finance Department.

General Fund Revenues and Expenditures

The following two tables summarize the General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the City's general fund for the fiscal years 2006-07 through 2009-10.

City of Benicia
General Fund Balance Sheet
Fiscal Years 2006-07 through 2009-10

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
ASSETS				
Cash and investments	$9,987,429	$8,977,170	$6,743,672	$6,136,155
Restricted cash and investments:				
Cash and investments with fiscal agents	—	—	—	—
Certificates of Deposit	—	—	—	—
Receivables:				
Due from State of California	35,935	152,614	607,718	730,101
Due from County of Solano	131,474	151,872	27,622	23,825
Accrued interest	85,908	43,993	14,888	3,003
Other receivables	519,945	615,481	422,883	414,531
Due from other funds	675,597	912,154	966,714	1,030,694
Prepaid expenditures	74,122	30,740	37,000	44,136
Notes receivable	966,646	1,078,766	1,192,578	1,114,375
Interfund advances receivable	—	250,000	364,164	320,666
Total Assets	12,477,056	12,212,790	10,377,239	9,817,487
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	987,201	1,057,094	1,149,862	1,263,207
Accrued salaries and benefits	139,366	199,662	116,614	112,630
Deferred revenue	966,646	1,078,766	1,192,578	1,114,375
Deposits	711	672	1,192	1,221
Advances from other funds	—	—	1,627,009	1,380,738
Other payables	96,034	169,038	—	—
Total Liabilities	2,189,958	2,505,232	4,087,255	3,872,171
Fund Balances:				
Reserved for encumbrances	285,239	130,338	226,523	196,069
Reserved for advances to other funds	-	250,000	364,164	320,666
Reserved for prepaids	74,122	30,740	37,000	44,136
Unreserved:				
Designated for future projects	306,448	2,209,014	45,574	186,755
Designated for cable grant	104,622	94,894	35,489	27,422
Designated for economic uncertainties	1,477,569	1,592,669	807,458	543,278
Designated for exposures reserve	1,477,569	1,592,669	1,591,259	1,542,330
Designated for emergency reserve	2,955,138	3,185,339	3,182,517	3,084,660
General Fund - undesignated	3,606,391	621,895	—	—
Total Fund Equity	10,287,098	9,707,558	6,289,984	5,945,316
Total liabilities and fund equity	12,477,056	12,212,790	10,377,239	9,817,487

Source: City of Benicia.

City of Benicia
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2009-10

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Revenues:				
Secured and unsecured property taxes	$12,881,657	$13,534,307	$13,053,648	$12,468,070
Taxes based on sales and use	6,285,439	6,794,114	6,958,722	6,490,069
Utility taxes	3,822,197	4,190,517	4,413,428	4,938,585
Franchise tax	1,407,818	1,589,752	1,851,511	1,292,872
Other taxes	859,232	800,810	747,468	774,561
Licenses and permits	1,829,485	349,130	323,241	320,466
Intergovernmental revenues:				
Motor vehicle in lieu	2,015,234	1,992,604	2,059,561	1,951,715
Other governmental revenues	-	-	-	-
Grants	89,929	161,150	146,155	154,555
Charges for services:				
Public safety	274,312	285,645	479,875	211,461
Development	211,478	167,683	96,846	86,302
Recreation, parks	931,286	996,224	977,342	1,092,266
Other services	159,655	16,639	162,055	111,897
Fines and forfeitures	109,744	128,770	115,596	105,391
Use of money and property	1,135,249	1,140,963	712,273	404,460
Other revenues	304,018	399,801	296,167	462,116
Total Revenues	32,316,733	32,548,108	32,393,888	30,864,786
Expenditures:				
Current:				
Administration	3,256,967	2,729,399	2,975,571	3,088,784
General government	2,554,884	3,025,451	4,187,891	2,394,908
Public safety	13,316,190	14,762,971	15,203,006	15,362,211
Public Works and community development	2,921,096	3,318,508	3,301,506	2,720,918
Parks and open community services	4,589,329	5,252,504	5,172,847	4,877,017
Library	1,144,591	1,209,775	1,285,346	1,216,908
Economic development	333,337	464,110	485,904	487,433
Capital outlay	1,354,565	394,489	476,422	321,461
Debt service	-	-	-	13,729
Total expenditures	29,470,959	31,157,207	33,088,493	30,483,369
Excess of revenues over (under) expenditures	2,845,774	1,390,901	(694,605)	381,417
Other Financing Sources (Uses):				
Proceeds from sales of capital assets	2,000	21,980	-	-
Transfers in	942,388	94,813	99,826	180,415
Transfers out	(1,479,991)	(2,087,234)	(2,822,795)	(906,500)
Total other financing sources and uses	(535,603)	(1,970,441)	(2,722,969)	(726,085)
Net changes in fund balances	2,310,171	(579,540)	(3,417,574)	(344,668)
Fund balances - June 30, Beginning	7,976,927	10,287,098	9,707,558	6,289,984
Fund balances - June 30, End	$10,287,098	$9,707,558	$6,289,984	$5,945,316

Source: City of Benicia.

Sales and Use Taxes

A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. Effective April 1, 2009, the statewide tax rate is 8.250%. The City's share of sales tax is approximately 1% when one considers the combined City share of 0.75% and the State's 0.250% Fiscal Recovery Funding (Triple-Flip swap) explained below. With the enactment of the Triple Flip, the City now receives the 0.250% as reclassified revenue through property tax as an in lieu remittance, the payment of which heretofore coincides with the County property tax calendar. The State collects and administers the tax, and makes distributions on taxes collected within the City as follows:

City of Benicia
Sales Tax Rates

State General Fund	6.000%
State Fiscal Recovery	0.250
State Local Public Safety Fund	0.500
State Local Revenue Fund	0.500
County Transportation	0.250
District	0.125
City	0.750
Total	8.375%

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

On March 2, 2004, voters approved a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion of Economic Recovery Bonds to finance ongoing State budget deficits, which are payable from a fund established by the redirection of tax revenues known as the "Triple Flip." The State issued $11.3 billion of Economic Recovery Bonds prior to June 30, 2004. Under the "Triple Flip," one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction is being redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, State legislation provides for certain property taxes to be redirected to local government. Because these property tax monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes will terminate once the Economic Recovery Bonds are repaid, which is currently expected to occur in approximately 9 to 13 years. See "RISK FACTORS—State Budget Information" herein.

Motor Vehicle In-Lieu Tax

Vehicle license fees are assessed in the amount of 2% of a vehicle's depreciation market value for the privilege of operating a vehicle on California's public highways. A program to offset (or reduce) a portion of the vehicle license fees ("VLF") paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of $3.95 billion in the fiscal year 2003-04. Beginning in fiscal year 2004-05, the State-local agencies agreement permanently reduced the VLF rate to 0.65% and eliminated the VLF offset program.

In connection with the offset of the VLF, the Legislature authorized appropriations from the State general fund to "backfill" the offset so that the local governments, which receive all of

the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient general fund moneys to fully backfill the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged. In June 2003, the State Director of Finance ordered the suspension of VLF offsets due to a determination that insufficient general fund moneys would be available for this purpose, and, beginning in October 2003, VLF paid by vehicle owners were restored to the 1998 level. However, the offset suspension was rescinded by the Governor on November 17, 2003, and offset payments to local governments resumed. Local governments received backfill payments totaling $3.80 billion in fiscal year 2002-03. Backfill payments totaling $2.65 billion were expected to be paid to local governments in fiscal year 2003-04. The State-local agreement also provided for the repayment in August 2006 of approximately $1.2 billion that was not received by local governments during the time period between the suspension of the offsets and the implementation of higher fees. This repayment obligation was codified by Proposition 1A, which was approved by voters in the November 2004 general election and was repaid early by the State in August 2005. For a description of Proposition 1A, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Proposition 1A."

The following table sets forth the Motor Vehicle In-Lieu Tax received by the City for the last four fiscal years.

City of Benicia
In-Lieu Payments

	2006-07	2007-08	2008-09	2009-10
Motor Vehicle In-Lieu of VLF	$1,867,610	$1,868,860	$1,964,488	$1,869,576
Payments In-Lieu of VLF	147,624	123,744	95,073	82,139
TOTAL	$2,015,234	$1,992,604	$1,059,561	$1,951,715

Source: City of Benicia Finance Department.

Transient Occupancy Taxes

The City levies a 9% transient occupancy tax on hotel and motel bills. Revenues from transient occupancy taxes represented approximately 0.74% of the City's general fund revenues in fiscal year 2009-10.

Property Taxes

Tax Levies, Collections and Delinquencies. Property taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County. Property taxes collected in advance are recorded as deferred revenue and recognized as revenue in the year they become available. The County levies, bills and collects property taxes for the City. Property taxes paid to the City by the County within 60 days after the end of the fiscal year are "available" and are, therefore, recognized as revenue.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State/assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Secured and unsecured property taxes are levied based on the assessed value as of January 1, the lien date, of the preceding fiscal year. Secured property tax is levied on October 1 and due in two installments, on November 1 and March 1. Collection dates are December 10 and April 10 which are also the delinquent dates. At that time, delinquent accounts are assessed a penalty of 10%. Accounts that remain unpaid on June 30 are charged an additional 1.5% per month. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Treasurer.

Unsecured property tax is levied on July 1 and due on July 31, and has a collection date of August 31 which is also the delinquent date. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuation. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each County to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the

appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

Effect of Delinquencies and Foreclosures on Property Tax Collections. As described above, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest are required to be paid before the property can be transferred to a new owner.

The level of default and foreclosure activity has affected certain homeowners nationwide. Within the State, the greatest impacts to date are in regions of the Central Valley, the Inland Empire, and other areas in the State where the large numbers of new mortgages were originated in more affordable areas. The increased level of default and foreclosure activity has resulted in downward pressure on home prices in the affected areas.

Set forth in the tables below are assessed valuation for secured and unsecured property within the City of Benicia and tax levies and collections (as of the close of each fiscal year) for the five most recent fiscal years.

City of Benicia
Assessed Valuations

Fiscal Year	Local Secured	Utility	Unsecured	Total
2006-07	$4,593,102,271	$1,842,563	$212,949,929	$4,807,894,763
2007-08	4,587,421,119	1,238,520	218,303,830	4,806,963,469
2008-09	4,822,540,991	1,321,808	229,137,903	5,053,000,702
2009-10	4,572,916,941	1,300,433	232,568,662	4,806,786,036
2010-11	4,447,203,621	1,379,398	218,306,994	4,666,890,013

Source: California Municipal Statistics, Inc.

City of Benicia
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2005-06	$758,720.36	$ 9,708.48	1.28%
2006-07	728,838.40	16,776.30	2.30
2007-08	712,494.74	23,217.53	3.26
2008-09	742,060.80	20,678.66	2.79
2009-10	775,862.80	14,195.19	1.83

Source: California Municipal Statistics, Inc.

The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") has been adopted by 53 of the 58 counties, including the County, as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in a county receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, to the extent of a reserve established and held by its county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The Teeter Plan is to remain in effect unless the county board of supervisors orders its

discontinuance or unless, prior to the commencement of any fiscal year of the county, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county. Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied without regard to actual collections in the City. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIIIA that allows a temporary reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the current market value of real property is less than the current assessed (taxable) factored base year value as of the lien date, January 1. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIIIA of the California Constitution."

Principal Taxpayers. The following table sets forth the principal secured property taxpayers in the City as of fiscal year 2010-11, the most current information available.

City of Benicia
Principal Secured Property Taxpayers
Fiscal Year 2009-10

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	Valero Reining Company California	Industrial	$ 898,440,845	20.20%
2.	Walton CWCA BN WRHS 21 LLC	Industrial	142,014,838	3.19
3.	Benicia Industries Inc.	Industrial	43,753,551	0.98
4.	Tulloch Construction Inc.	Industrial	28,156,305	0.63
5.	WRI West Gate South LP	Commercial	25,258,718	0.57
6.	Gonsalves & Santucci Inc.	Industrial	22,252,330	0.50
7.	Club Pacifica LLC	Apartments	22,003,668	0.49
8.	SPK-Industrial Portfolio LLC	Industrial	19,928,337	0.45
9.	MP Benicia Logistics LLC	Industrial	13,801,933	0.31
10.	Prime Waterview LLC	Apartments	13,122,650	0.30
11.	Sequoia Glen Partners	Apartments	11,841,566	0.27
12.	U-Store-It LP	Industrial	10,070,399	0.23
13.	State Street Advisors LLC	Industrial	9,214,780	0.21
14.	Gas City Fuels	Commercial	9,064,418	0.20
15.	James Dunlop	Industrial	8,975,656	0.20
16.	5001 LLC	Industrial	8,427,635	0.19
17.	McCorduck Properties Benicia	Commercial	8,426,788	0.19
18.	Insight Properties LLC	Industrial	7,401,658	0.17
19.	Ruby Real Estate LLC	Commercial	7,265,539	0.16
20.	Brentwood Village Apartments LP	Apartments	7,199,111	0.16
	TOTAL OF TOP 20		$1,316,620,725	29.61%

Source: California Municipal Statistics, Inc.
(1) 2010-11 Local Secured Assessed Valuation: $4,447,203,621.

OTHER FINANCIAL INFORMATION

Labor Relations

City employees are represented by three labor union associations, the principal one being the Benicia Public Service Employees Association (Service Employees International Union Local 1021), which represents approximately 35% of all City employees. Currently approximately 84% of all permanent City employees are covered by negotiated agreements. Negotiated agreements have the following expiration dates:

City of Benicia
Negotiated Employee Agreements

Bargaining Unit	Contract Expiration Date	Number of Employees
Benicia Public Service Employees Association (SEIU Local 1021)	June 30, 2011	71
Public Employees Union (Local 1)	June 30, 2012	30
Benicia Firefighters Association	June 30, 2012	26
Benicia Police Officers Association	June 30, 2012	31
Benicia Dispatch Association	June 30, 2012	15

Source: City of Benicia Finance Department.

The City has never had an employee work stoppage.

City employees are covered under a medical and prescriptions policy with coverage limited to $2,000,000 in the aggregate. The City provides group dental and vision coverage to employees through programs that are administered by a service agent. The City pays all dental and vision claims.

Risk Management

The City is a member of the Association of Bay Area Governments (ABAG), which provides general liability coverage of $5,000,000 above the City's deductible of $25,000 per occurrence, and property damage insurance up to $1,000,000,000 above the City's deductible of $1,000 to $250,000, for property damage. ABAG is governed by a board consisting of representatives from member municipalities. The board controls the operations of ABAG, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. During the fiscal year ended June 30, 2010, the City contributed $653,924 for current year coverage.

Audited financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94604- 2050.

The Local Agency Workers' Compensation Excess Insurance Joint Powers Authority (LAWCX) covers workers' compensation up to statutory limits. The City has a deductible or uninsured liability of up to $350,000 per claim. During the fiscal year ended June 30, 2010, the City contributed $108,255 for current year coverage. The City has purchased an additional of $20 million in excess coverage in current fiscal year.

LAWCX's financial statements may be obtained from Bickmore & Associates, 6371 Auburn Boulevard, Citrus Heights, CA 95621.

Employee Retirement Plans

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit plan for safety employees. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

Miscellaneous and safety participants are required to contribute 8% to 9%, respectively, of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate indicated for the period is 20.146% of payroll for the safety plan and 10.754% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

Other Post Employment Benefits

Plan Description. The City of Benicia contracts with Kaiser, Health Net, Ameritas Dental & Vision and United Healthcare to provide medical, dental, and vision benefits to both active and retired employees. The City pays no direct financial contribution towards retiree health benefits; however, due to the fact that retirees and active employees are insured in the same pool it indirectly subsidizes their premiums through payments for current employees.

Eligibility. Employees (and their spouses) are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service and are eligible for a PERS pension. Retirees younger than age 65 are required to contribute the full amount of the monthly medical insurance premiums that are in effect for active employees. Retirees who are age 65 or older are required to contribute the full amount of the monthly premium rates in effect for Medicare Supplement insurance.

City's Funding Policy. The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due).

The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. The actuarial assumptions included a 4.50 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of 1% per year to an ultimate rate of 5 percent after the sixth year. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll over 30 years. It is assumed the City's payroll will increase 3.25% per year.

Short-Term Obligations

The City currently has no outstanding short-term obligations.

Long-Term Obligations

General Fund Obligations. On June 15, 2006, the California Statewide Communities Development Authority issued the 2006 Series A-1 Current Interest Bonds and Series A-2 Capital Appreciation Bonds in the amounts of $27,985,000 and $34,828,647, of which $7,430,000 and $6,542,596, respectively, were the City's portion. The bond proceeds were used to prepay the unfunded liability of the City's miscellaneous and safety pension plans through PERS (the "2006 Pension Bonds").

In March 2005, the City entered into a capital lease for $1.4 million to finance the purchase and rehabilitation of the Casa de Vilarrasa forty-unit senior housing complex.

In April 2008, the City entered into a capital lease for $365,000 to finance the purchase of a fire engine.

In May 2006, the City entered into a capital lease for $2.2 million to finance the improvements to the City's police building and the portion of the storm drain system located in the Marina Area.

See Note 6—Long-Term Liabilities to the City's Audited Financial Statements included in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010 for the annual debt service requirements of the 2006 Pension Bonds and for the various capital leases.

General Obligation Debt. In 1997, the City's voters approved issuance of up to $30 million in general obligation debt to improve the City's wastewater treatment plant. The $10 million of such authorized bonds were issued in August 1997 (Series A) and May 1998 (Series B). Principal of and interest on the wastewater bonds are paid from ad valorem taxes levied against property in the City and are not paid from the City's general fund.

Special Fund Obligations. The City has incurred obligations payable from water revenues, wastewater revenues and marina revenues, none of which are paid from the City's general fund.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective April 1, 2011. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the City; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the City; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the City, as determined by multiplying the total outstanding debt of each agency by the percentage of the City's assessed valuation represented in column 2.

City of Benicia
Direct and Overlapping Bonded Debt as of April 1, 2011

2010-11 Assessed Valuation: $4,666,890,013

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/11	
Solano County Community College District	15.855%	$ 17,219,337	
Benicia Unified School District	99.086	32,576,096	
City of Benicia	100.000	5,055,000	
City of Benicia 1915 Act Bonds	100.000	13,869,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$ 68,719,433	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Solano County Certificates of Participation	15.087%	$ 18,462,716	
Solano County Pension Obligations	15.087	12,492,790	
Solano County Board of Education Certificates of Participation	15.087	376,421	
City of Benicia Certificates of Participation	100.000	—	(1)
City of Benicia Pension Obligations	100.000	11,702,175	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 43,034,102	
COMBINED TOTAL DEBT		$111,753,535	(2)

(1) Excludes certificates of participation to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11Assessed Valuation:

Direct Debt ($5,055,000)	0.11%
Combined Direct Debt ($16,757,175)	0.36%
Total Direct and Overlapping Tax and Assessment Debt	1.47%
Combined Total Debt	2.39%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc. and City of Benicia Finance Department.

THE CORPORATION

The Corporation is a public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIIIA provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

The voters of the State subsequently approved various measures which further amended Article XIIIA. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIIIA. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of the property damaged or destroyed in a disaster.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value

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of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property.

Section 4 of Article XIIIA also provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIIIB to the California Constitution. In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Article XIIIB of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIIIB include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIIIB do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January l, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is, at the City's

option, either (1) the percentage change in City population, or (2) the percentage change in County population.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's appropriation limit was $17,285,548 for fiscal year 2008-09 and $20,685,244 for fiscal year 2009-10 which is well above the total City budget amounts for both years. Therefore the City did not need to calculate the appropriations subject to limitation.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential financial impact on the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to pay its debt obligations and perform its other obligations payable from the General Fund as and when due.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. The City has not enacted, imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIIIC also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. SB 919 provides that the initiative powers extended to voters under Article XIIIC likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIIIC or SB 919, and it is unclear whether these terms are

intended to have the same meanings for purposes of Article XIIIC as they do in Article XIIID. Accordingly, the scope of the initiative power under Article XIIIC could include all sources of General Fund monies not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIIIC of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the City would be able to pay the Lease Agreement Payments as and when due or any of its other obligations payable from the General Fund.

Article XIIID of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts. In most instances, in the event that the City is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the City will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the City anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the City to pay the Lease Agreement Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIIID also adds several provisions, including notice requirements and restrictions on use, affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." The annual amount of revenues that are received by the City and deposited into its General Fund which may be considered to be property related fees and charges under Article XIIID of Proposition 218 is not substantial. Accordingly, presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the City to pay the Lease Agreement Payments as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

Proposition 1A of 2004

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the vehicle license fee (the "VLF"). The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among

local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

The 2004 Budget Act, related legislation and the enactment of Proposition 1A of 2004 (described below) dramatically changed the State-local fiscal relationship. These constitutional and statutory changes implemented an agreement negotiated between the Governor and local government officials (the "State-local agreement") in connection with the 2004 Budget Act.

One change related to the reduction of the VLF rate from 2% to 0.65% of the market value of the vehicle. In order to protect local governments, which had previously received all VLF revenues, the 1.35 percent reduction in VLF revenue to cities and counties from this rate change was backfilled by an increase in the amount of property tax revenues they receive. This worked to the benefit of local governments, because the backfill amount annually increases in proportion to the growth in secured roll property tax revenues, which has historically grown at a higher rate than VLF revenues. Proposition 1A of 2004 requires the State to provide local governments with equal replacement revenues.

On November 3, 2004 the voters of the State approved Proposition 1A ("Proposition 1A of 2004"). Proposition 1A of 2004 amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and VLF revenues as of November 3, 2004. Pursuant to Proposition 1A of 2004, the State is able to borrow up to 8% of local property tax revenues but only if the Governor proclaims such action is necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approve the borrowing. Any amounts borrowed are required to be repaid within three years. Proposition 1A of 2004 also permits the State to borrow from local property tax revenues for no more than two fiscal years within a period of 10 fiscal years, and only if previous borrowings have been repaid. In addition, the State cannot reduce the local sales tax rate or restrict the authority of the local governments to impose or change the distribution of the Statewide local sales tax. Proposition 1A of 2004 generally prohibits the State from mandating activities on cities, counties, or special districts without providing the funding needed to comply with the mandates, and if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties, or special districts to abide by the mandate is suspended. Proposition 1A of 2004 also expanded the definition of what constitutes a mandate to encompass State action that transfers to cities, counties, and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A of 2004 do not apply to schools or community colleges or to mandates relating to employee rights.

Pursuant to statutory changes made in conjunction with amendments to the fiscal year 2008-09 State Budget Act, the fiscal year 2009-10 State Budget Act and related budget legislation adopted by the State Legislature and signed by the Governor in February 2009 (collectively, the "February 2009 Budget Package"), the VLF rate increased from 0.65% to 1.15% effective May 19, 2009. Of this 0.50% increase, 0.35% will flow to the State General Fund, and 0.15% will support

various law enforcement programs previously funded by the State General Fund. This increased VLF rate will be effective through fiscal year 2010-11.

See "RISK FACTORS—State Budgets" for information relating to Proposition 1A and the suspension of Proposition 1A in the State's 2009-10 budget.

Proposition 22

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (a) to use State fuel tax revenues to pay debt service on state transportation bonds; (b) to borrow or change the distribution of state fuel tax revenues; (c) to direct redevelopment agency property taxes to any other local government; (d) to temporarily shift property taxes from cities, counties, and special districts to schools; (e) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative Analyst's Office ("LAO"; the LAO is a fiscal and policy advisory organization overseen by the Joint Legislative Budget Committee of the State legislature, funded by the State legislature) on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218, Proposition 1A and Proposition 22 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Certificates. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Certificates, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Certificates are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Lease Payments Are Not Debt

The obligation of the City to make the Lease Agreement Payments under the Lease Agreement does not constitute an obligation of the City for which the City is obligated to levy

or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Lease Payments does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay the Lease Agreement Payments from any source of legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Agreement Payments. The City is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Agreement Payments, or which the City, in its discretion, may determine to pay prior to the Lease Agreement Payments.

The City has the capacity to enter into other obligations payable from the City's general fund, without the consent of or prior notice to the Owners of the Certificates. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIIIB of the California Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Article XIIIB of the California Constitution."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City 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 City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX D–FORM OF OPINION OF SPECIAL COUNSEL) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City.

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or redemption of the Certificates, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement

of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

Risk of Uninsured Loss

The City covenants under the Lease Agreement to maintain certain insurance policies on the Property. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance." These insurance policies do not cover all types of risk, and the City need not obtain insurance except as available on the open market from reputable insurers. For instance, the City does not covenant to maintain earthquake insurance. The Property could be damaged or destroyed due to earthquake or other casualty for which the Property is uninsured. Additionally, the Property could be the subject of an eminent domain proceeding. Under these circumstances an abatement of Lease Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Certificates.

Under the Lease Agreement the City may obtain casualty insurance which provides for a deductible up to $250,000. Should the City be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

The City is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. Depending on its severity, an earthquake could result in abatement of Lease Payments under the Lease Agreement. See "—Abatement."

Eminent Domain

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Agreement Payments, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The City covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Agreement Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and

widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The City is unaware of the existence of hazardous substances on the Property site which would materially interfere with the beneficial use thereof.

Earthquakes

The City is not legally obligated under the Lease Agreement to maintain, or cause to be maintained, earthquake insurance on the Property and no assurance is made that any earthquake insurance will be maintained. If there were to be an occurrence of severe seismic activity in the City, there could be substantial damage to and interference with the City's right to use and occupy all or a portion of the Property, which could result in Lease Payments being subject to abatement. Additionally, severe seismic activity in the City could impact the City's general fund expenditures. See "CERTAIN RISK FACTORS—Abatement" above.

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of the Trustee or all of the Owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the City could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the City an event of default thereunder. In the event the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder.

The Authority is a public agency and, like the City, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Certificates, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the City, should not affect the Trustee's rights under the Lease Agreement. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Certificates could be required to litigate these issues in order to protect their interests.

Limitations on Remedies

The rights of the Owners of Certificates are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Certificates and the Trustee could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the City under the Lease Agreement.

All legal opinions with respect to the enforcement of the Lease Agreement and the Indenture will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Lease Agreement Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the Certificates) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. See "TAX MATTERS."

The City has not been contacted by the IRS regarding the examination of any of its bond transactions.

State Budget Information

The following information concerning the State's budgets has been obtained from publicly available information which the City believes to be reliable; however, the City does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest due with respect to the Certificates is payable from any funds of the State.

The Budget Process. Through the State budget process, the State can enact legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies including the City. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The California State Treasurer's internet home page at www.treasurer.ca.gov, under the heading "Bond Finance—Public Finance Division—Bond Sales," posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

The California State Treasurer's internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

The California Department of Finance's internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets.

The analyses are accessible on the Legislative Analyst's internet home page at www.lao.ca.gov under the heading "Products." For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term "ERAF" is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over $3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 California State Budget included an additional $1.3 billion shift of property taxes from certain local agencies, including the City, to occur in Fiscal Years 2004-05 and 2005-06. The City's portion of such property tax shift for these two Fiscal Years was $653,278. To date, over $6.2 million has been shifted.

Proposition 1A. On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (iv) decrease Vehicle License Fees revenues without providing local governments with equal replacement funding. Under Proposition 1A, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Triple Flip. Currently, a significant portion of City revenues which are treated as sales tax in fact represent State diversion of property taxes in replacement of lost sales tax revenues because of legislation, commonly referred to as the "Triple Flip," which was submitted to the voters on March 2, 2004, as part of a bond proposition formally known as the "Economic Bond Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the Fiscal Year 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the Triple Flip.

Under the "Triple Flip" one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the ERAF to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid. The "Triple Flip" legislation was approved by voters at the election on March 2, 2004 and the bonds were sold in May 2004. See "FINANCIAL INFORMATION—Local Taxes" herein.

2010-11 State Budget. On January 8, 2010 the Governor published his proposed budget for 2010-11, on May 14, 2010 released his May Revision 2010-11 and on October 8, 2010 signed the 2010 Budget Act (the "2010-11 Budget"). Without the corrective action of the 2010 Budget, the State general fund would have been short an estimated $19.274 billion. The 2010-11 Budget addresses this with proposed expenditure reductions of $8.388 billion, requested federal funding of $5.403 billion, and anticipated other revenues of $5.483 billion. Proposition 98 education funding is largely unchanged by the 2010-11 Budget from the original January 2010-11 budget proposal, with non-education areas of government taking the new cuts and schools having increased "deferrals" in the State's payments of their revenue limit apportionments.

For the State's general fund, the 2010-11 Budget reports for 2009/10 prior year resources available of ($5.375) billion and projects revenues and transfers-in of $86,920 billion, for a total of $81.545 billion in total resources available; and for 2010-11 projects prior year resources available of ($4.804) billion and revenues and transfers-in of $94.230 billion, for a total of $89.426 billion in total resources available. General fund expenditures are projected to be $86.349 billion for 2009/10 and $86.552 billion for 2010-11, with general fund ending balances of ($4.804) billion and $2.874 billion, respectively. The positive ending balance outcome of the 2010-11 Budget is predicated on the Legislature's timely adoption of the Governor's fiscal proposals and successful requests for $5.403 billion from federal sources that the Governor's office believes should be due the State; it is not known to what extent this expectation will be met.

2011-12 State Budget. On January 10, 2011 the Governor published his proposed budget for 2011-12 (the "2011-12 Budget"). Without the corrective action of the 2010-11 Budget, the State general fund would have been short an estimated $25.4 billion. The 2011-12 Budget addresses this with proposed 2010-11 and 2011-12 expenditure reductions of $12.075 billion, proposed 2010-11 and 2011-12 revenue increases of $12.027 billion by continuing certain "temporary" sales and other taxes scheduled to sunset, and anticipated 2010-11 and 2011-12 other revenues of $1.885 billion. Continuation of the tax measures for a proposed additional five years will require voter approval, proposed for a June, 2011 ballot. Proposition 98 education funding is described as largely unchanged from 2010-11, assuming the proposed tax measures are approved by voters. For the State's general fund, the 2011-12 Budget reported for 2010-11 prior year resources available of ($5.342) billion and projects revenues and transfers-in of $94.194 billion, for a total of $88.852 billion in total resources available; and for 2011-12 projects prior year resources available of ($3.357) billion and revenues and transfers-in of $89.696 billion, for a total of $86.339 billion in total resources available. General fund expenditures are projected to be $92.209 billion for 2010-11 and $84.614 billion for 2011-12, with general fund ending

balances of ($3.357) billion and $1.725 billion, respectively. The positive ending balance outcome of the 2011-12Budget is predicated on the Legislature's timely adoption of the Governor's fiscal proposals and voter approval of the proposed continuation of tax measures. The Governor has said that if voters do not approve the proposed tax measures, he will propose additional budget cuts in the same amount as the projected tax revenue.

In his *July 2010 Summary Analysis*, the State Controller reported that the State's general fund negative cash balance, which was at ($11.908 billion) at the beginning of 2009/10, had lessened to ($9.922 billion) as of June 30, 2010. In his March 2011 Summary Analysis, the State Controller reported that the State's general fund negative cash balance as of February 28, 2011 stood at ($19.191 billion).

While State budgets do not focus on city finances, the State has often made changes over the years in its efforts to balance its budgets that affect the allocation of property taxes and sales tax in ways that noticeably affect the revenues, expenditures and economic growth of cities. Examples are the "Triple Flip" (see "Triple Flip") and the ERAF and SERAF shifts (see "Proposition 1A - Limit On ERAF Shifts To School Districts; SERAF Shifts"). It cannot be predicted what actions will be taken in the future, including as soon as mid-year, or earlier, by the State to respond to its own requirements and changes in economic conditions.

Future State Budgets. The City cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current and future budget deficits. Future State budgets could be affected by national economic conditions and other factors over which the City will have no control.

Further information about the State budget is available from the Public Finance Division of the State Treasurer's Office. In addition, information about the State budget is regularly available at various State-maintained websites, including www.dof.ca.gov (Department of Finance), www.lao.ca.gov (Office of the Legislative Analyst) and www.treasurer.ca.gov (State Treasurer). The above-mentioned websites are included herein for informational purposes only. The Authority and the City make no representations concerning, and do not take any responsibility for, the accuracy or timeliness of information posted on such websites or the continued maintenance of such websites by the respective entities.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest with respect to the Certificates under section 103 of the Code. Interest with respect to the Certificates could become includable in gross income for purposes of Federal income taxation retroactive to the date the Certificates were delivered, as a result of acts or omissions of the City in violation of the Code. Should such an event of taxability occur, the Certificates are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption or mandatory sinking fund redemption provisions of the Indenture.

Limited Secondary Market

As stated herein, investment in the Certificates poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Certificates should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the

Certificates or, if a secondary market exists, that the Certificates can or could be sold for any particular price.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the City and consequently, having an adverse effect on the security for the Certificates.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the City will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the City or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Corporation or their authority with respect to the Certificates or any action of the City or the Corporation contemplated by any of said documents, nor, to the knowledge of the City or the Corporation, is there any basis therefor.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the City has entered into an agreement with U.S. Bank National Association, as Trustee and Dissemination Agent (the "Dissemination Agent"), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the City and the balances of funds relating to the Certificates, by not later than April 1 of each fiscal year commencing with the report for the 2010-11 fiscal year (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. The Annual Information and notices of material events will be filed by the City or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access ("EMMA") system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX G—FORM OF CONTINUING DISCLOSURE CERTIFICATE. The City has not failed to comply in any material respect with any of its prior undertakings to provide continuing disclosure.

FINANCIAL ADVISOR

The City has retained Wulff, Hansen & Co., San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the execution and delivery of the Certificates. The fees of the Financial Advisor are contingent upon the sale and delivery of the Certificates.

IX.D.208

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, San Francisco, California, Special Counsel. Special Counsel's opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, as Disclosure Counsel, and for the City by Heather McLaughlin, Esq., City Attorney. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the City with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective

purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

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Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX D—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

The Certificates will be purchased by [Underwriter], as underwriter (the "Underwriter"), at an aggregate purchase price of $_____ (consisting of the $_____ aggregate principal amount of the Certificates, less $_____ of original issue discount, less $_____ of Underwriter's discount).

The initial public offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

RATINGS

S&P is expected to assign the rating of "AA+" (stable outlook) to the Certificates based on the issuance of the Municipal Bond Insurance Policy by AGM. See "MUNICIPAL BOND INSURANCE." In addition, S&P has assigned the underlying rating of "A+" to the Certificates. These ratings reflect only the views of such organization and an explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, NY 10041. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2010, which include the City's 2009-10 audited financial statements and the City's Auditor's Report regarding such financial statements, are set forth in APPENDIX B—COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30,

2010. The City's Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the City's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The City will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the City, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the City have been duly authorized by the City Board on behalf of the City.

CITY OF BENICIA

By _____
Finance Director

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY

History and Location

The City of Benicia, founded in 1847, became the second city in California to incorporate. The City was named after the wife of General Vallejo. The Benicia Arsenal was established in 1851 and became the largest ordnance depot west of the Mississippi. It closed in 1963. The City also served as the third state capital and has the only state capital building, now a state park, still standing outside of Sacramento.

The City is located in the hills in the southern most area of Solano County (the "County") overlooking Carquinez Straits, 35 miles northeast of San Francisco and 57 miles southwest of Sacramento. The City encompasses about 13.5 square miles in the south central area of the County. The County is one of the nine counties comprising the San Francisco Bay Area.

The City is the fourth largest in the County. The City's deep water Port of Benicia and the Benicia Industrial Park are significant contributors to the Bay Area and regional economy. The Port of Benicia is one of the major deep water ports of the Bay Area and is a primary center of automobile import and distribution facilities, as well as for the shipment of petroleum products. Most of the industrially zoned land in the City lies within the Benicia Industrial Park, the largest port oriented industrial complex in Northern California, which now includes many business ranging from small specialty manufacturers to major warehouse and distribution operations.

City Government

The City is a general law city and operates under a council-manager form of government. The City Council consists of five members elected at large for alternating four-year terms, including the Mayor who is also elected to a four-year term. The City Clerk and City Treasurer are the City's other elected officials. The City Manager is appointed by the City Council and serves at the City Council's pleasure as the administrative head of the City. All other City employees are appointed by and are responsible to the City Manager, except the City Attorney who is appointed by the City Council.

Population

The table below presents the City's population growth and its relation to County population.

CITY AND COUNTY POPULATION DATA

Year	City Population	Solano County Population
2000	26,865	394,930
2001	27,155	401,408
2002	27,188	408,513
2003	27,123	412,948
2004	27,005	416,417
2005	27,163	419,004
2006	27,159	420,715
2007	27,768	422,646
2008	27,830	424,585
2009	27,912	425,740
2010	28,086	427,837

Source: State of California, Department of Finance Demographic Research Unit

Utilities

Pacific Gas and Electric Company supplies natural gas and electric services to the City. SBC Communications Inc. provides telephone service. Water and sewer service is provided by the City.

Employment and Industry

The following tables show the employment and unemployment rate for the City, the County, the State and the United States for 2006 through 2010. As of January, 2011, the unemployment rate in the City was 7.8%, as compared to 12.4% for the County and 12.7% for the State.

CITY OF BENICIA
Labor Force, Employment and Unemployment
Yearly Average for Years 2006 through 2010

Year and Area	Civilian Labor Force	Civilian Employment	Unemployment	Unemployment Rate (%)
2006				
City of Benicia	*	*	*	*
Solano County	*	*	*	*
California	18,204,200	16,141,500	2,062,700	11.3
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
City of Benicia	*	*	*	*
Solano County	*	*	*	*
California	18,191,000	16,883,400	1,307,600	7.2
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
City of Benicia	*	*	*	*
Solano County	*	*	*	*
California	17,928,700	16,970,200	958,500	5.3
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
City of Benicia	*	*	*	*
Solano County	*	*	*	*
California	17,686,700	16,821,300	865,400	4.9
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
City of Benicia	*	*	*	*
Solano County	214,900	189,000	25,900	12.0%
California	*	*	*	*
United States	153,888,667	139,063,917	14,824,750	9.6

Source: California Employment Development Department.
* Recalculated figures not yet available from State.

The City is located in close proximity to the rail, highway, water, and pipeline corridors joining the large metropolitan areas of the San Francisco Bay Area and Sacramento. A well developed transportation network provides easy access to both domestic and international markets. In addition, two major airport are located within 50 miles of the City.

Industries located in and around the City include food processing, chemical manufacturing, natural gas production, recreational vehicle manufacturing, and container manufacturing. Countywide,

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services such as government, retail trade, education and healthcare provide a large component of employment opportunities. The table below illustrates employment trends for the Vallejo-Fairfield Metropolitan Statistical Area, in which the City is located.

VALLEJO FAIRFIELD MSA
(SOLANO COUNTY)
Labor Market
For the Years 2006 through 2010
(in thousands)

Type of Business	2006	2007	2008	2009	2010
Total, All Industries	130,700	129,000	126,300	121,900	120,300
Total Farm	1,700	1,600	1,600	1,600	1,300
Total Nonfarm	129,000	127,500	124,700	120,300	119,000
Mining and Logging	300	300	300	300	200
Construction	12,600	10,700	9,200	7,500	7,200
Manufacturing	9,700	9,700	9,400	9,000	8,900
Service Providing	106,300	106,800	105,700	103,600	102,700
Trade, Transportation & Utilities	27,700	27,100	26,600	25,200	25,000
Wholesale Trade	4,200	4,100	4,100	4,100	4,200
Retail Trade	18,700	18,300	17,700	16,300	16,300
Information	1,600	1,600	1,600	1,600	1,600
Financial Activities	6,200	5,600	5,000	4,800	4,700
Professional & Business Services	11,500	11,500	10,600	10,900	11,300
Educational & Health Services	16,200	17,100	17,700	18,300	18,900
Leisure & Hospitality	13,000	13,300	13,400	13,200	12,900
Other Services	4,100	4,000	3,900	3,700	4,000
Government	26,000	26,600	26,900	26,000	24,300

Source: State Department of Employment Development, March 2010 Benchmark.
Totals may not add due to independent rounding.

Benicia Industrial Park. The Benicia Industrial Park (BIP) totals over 3,000 acres of land and is home to approximately 572 businesses (over 6 million square feet) who employ approximately 8,173 employees. Over the last 2 decades, the range, size and type of businesses in the BIP has expanded significantly and now includes petroleum refining, chemical manufacturing, marine port terminal, automobile import/export, plastics manufacturing, steel fabrication and machining, heavy construction, engineering as well as warehouse and distribution. The BIP generates approximately 63% of the City's sales tax revenue and 40% of the City's property tax revenue. More than 300 businesses have located in the Industrial Park since its opening in 1965. Automobiles from Japan constitute a significant portion of imports through the port with petroleum products from the Valero refinery as the port's only exports. The pier accommodates vessels up to 38-foot draft. The BIP is one of the few truly diverse settings that provide intermodal access: the Port of Benicia, rail via Union Pacific Railroad and freeway via Interstates 680 and 780.

The largest employer in the City and the County is the Valero Benicia Refinery. Built in 1969, the Valero Benicia refinery is located on 857 acres within the BIP, the Valero Benicia Refinery is part of the Valero Energy Corporation based in San Antonio, Texas, a Fortune 100 company with 23,00 employees and revenues in excess of $30 billion. The refinery employs 525 full time employees and approximately 250 contract personnel. The annual employee payroll and benefits total $45 million. Annual property, sales and utility taxes paid locally exceed $9 million. The Valero Benicia Refinery processes approximately 165,000 barrels of crude oil and other feedstocks into gasoline, jet fuel, fuel oil and coke each day. Crude oil is received via ships at the Port of Benicia, located at the foot of the Benicia-Martinez Bridge.

Port of Benicia. Amports owns and operates the Port of Benicia and leases facilities to industrial tenants on portions of approximately 675 acres it owns or controls in Benicia. The Port of Benicia specializes in the shipment of automobiles and petroleum products. Amports employs approximately 100 people.

Other Industry. The Chamber of Commerce reports that, during the last five years, 9 new firms have located in the Industrial Park. Major undeveloped land zoned for industrial and commercial use consists of the 471 acre Seeno Property and 364 acres located near the Valero refinery. Industrial users have access to major interstate freeways, the Union Pacific Railroad, and to deep-water shipping.

Future Economic Expansion. Although the Benicia Industrial Park area is largely built out, the City of Benicia does includes a 500-acre site known as the Seeno Property that could accommodate approximately 4,000,000 square feet of business and industrial growth. The property is currently being master planned although environmental documentation and regulatory approvals have not yet been completed.

Future Development. The existing City limits includes approximately 13.5 square miles or about 8,000 acres with predominantly residential development with the exception of the existing industrial development in the Benicia Industrial Park.

In the surrounding area, the unincorporated community of Collinsville, between the City and Rio Vista, is a large area of undeveloped industrial acreage on the deep water shipping channel. Corporations owning property or holding options on land in this area include National Steel Corporation, PG&E, and Union Pacific Land Company. There are no immediate or specific plans for development.

Building Activity

A listing of the last five years' building permit activity in the City is listed below:

CITY OF BENICIA
Building Permits Valuations
For the Years 2005 through 2009
($000s)

	2005	2006	2007	2008	2009
Valuations					
Residential	$71,797.0	$21,268.7	$12,038.7	$ 9,236.5	$ 6,564.8
Nonresidential	9,280.5	15,659.1	14,752.1	14,046.4	10,463.4
Total	$81,077.5	$36,927.8	$26,790.8	$23,282.9	$17,028.2
New Dwelling Units and Remodels					
Single Family	235	63	39	16	11
Multiple Family	12	2	0	0	0
Total	247	65	39	16	11

Source: Construction Industry Research Board.

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Commercial Activity

The following tables provide a summary of taxable transactions for the City since 2005. As of 2009, the City has been reclassified by the Board of Equalization and thus its data is no longer reported in itemized form as in prior years.

CITY OF BENICIA
Taxable Transactions
For the Years 2005 through 2009
($000s)

Type of Business	2005	2006	2007	2008	2009 (1)
Apparel Stores	$ 3,513	$ 3,952	$ 2,449	$ 2,591	—
General Merchandise Stores	*	5,965	*	5,592	—
Food Stores	19,568	20,186	20,790	19,183	—
Eating & Drinking Places	30,381	32,014	33,359	33,198	—
Home Furnishings & Appliances	12,790	10,304	11,756	7,527	—
Bldg. Material & Farm Implements	47,938	44,376	24,452	9,871	—
Auto Dealers & Auto Supplies	5,271	8,471	8,532	7,581	—
Service Stations	55,046	65,241	66,144	70,264	—
Other Retail Stores	42,356	39,457	54,627	44,008	—
Retail Stores Total	216,863	229,966	222,109	199,719	$171,468
All Other Outlets	209,903	281,196	310,448	360,718	—
Totals All Outlets	$426,766	$511,162	$532,557	$560,466	$557,499

Source: California State Board of Equalization "Taxable Sales In California."
(1) 2009 data was reported in the abbreviated format of "TABLE 6. Taxable Sales in All Cities Except the 272 Largest, 2009," which shows only total permits and sales.

Transportation

The County has a well developed transportation network which includes road, rail and shipping services. Interstate 80, a transcontinental highway linking San Francisco with points east, bisects the County. Interstate 680 and 780 connect Alameda and Contra Costa counties with the County before joining at Interstate 80. Interstate 505 branches north from Interstate 80 near Vacaville and joins Interstate 5, a transcontinental north-south route.

The interstate highway network is supplemented by State and County roads and highways. Interstate 680 provides cross-county transportation from Fairfield to Rio Vista and into the northern San Joaquin Valley. Interstate 680 is a four-lane divided freeway from the Benicia-Martinez Bridge to Interstate 80 at Cordelia.

Union Pacific Railroad crosses the County with its main line generally paralleling Interstate 80, and truck lines running from the City of Vallejo north into adjoining counties. Freight transportation is also provided by several intra-state and transcontinental trucking firms.

Local transit needs are served by Benicia Transit and the Bay Area Rapid Transit, which has a station eleven miles from the City. Two transcontinental bus lines serve the County - Greyhound and Continental.

The deep water ports of Benicia, Sacramento and Stockton serve the County. The Port of Benicia is the largest port facility in the County. It provides three berths in addition to a 2,400 foot pier that can handle ships with up to a 38-foot draft and is less than two hours steaming time from the Golden Gate.

Residents of the City use commercial airlines flying out of San Francisco International Airport (50 miles away), Oakland International Airport (40 miles away), Sacramento Airport (70 miles away), as well as Buchanan Field, a general aviation facility, in the nearby City of Concord (12 miles away).

Education and Community Services

Public school education in the County is provided by six unified school districts plus schools maintained by the County Superintendent of Schools for handicapped, Juvenile Court and occupational and vocational training students.

Solano Community College, a two-year, publicly supported institution, offers degrees and certificate programs in a wide variety of occupational fields including computer programming, industrial management, ornamental horticulture, electronics, shipbuilding, welding, and water and wastewater technology. The Solano Community College is located near the City of Fairfield.

The California Maritime Academy (350 students), in the City of Vallejo, is a highly specialized four-year college that prepares students in maritime and related industries through an accredited degree program in Marine Engineering Technology and Nautical Industrial Technology.

The University of California at Davis is located on the Solano-Yolo County line in the northeast corner of the County. The University is well known for its agricultural research. Originally a university farm, the campus developed into a four-year agricultural college in the 1920's and has since expanded into other fields, including engineering, law, medicine and veterinary medicine.

There are four full service hospitals in the County - two in the City of Vallejo (Kaiser Foundation Hospital and Sutter-Solano Medical Center) and one in Fairfield (North Bay Medical Center). David Grant Medical Center at Travis Air Force Base provides medical services to active duty and retired military personnel and dependents.

Cultural facilities in the City include 15 churches of various denominations, the Benicia City Library, and a variety of historical landmarks, including California's earliest State Capitol which has been authentically restored as a historic monument. Local newspaper coverage is provided by the Benicia Herald which is published five times a week and benicianews.com, an on-line newspaper. Financial institutions include 5 banks and 2 savings and loans.

The Parks and Recreation Department of the City maintains approximately 166 acres of parkland. There are 35 municipal parks and two State parks. This parkland is made up of waterfront parks, athletic fields, neighborhood parks, and community parks. The City also maintains a variety of recreational facilities which include a senior citizens center, a youth center and a gymnasium.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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APPENDIX C

INVESTMENT POLICY OF THE CITY

(Revised October 20, 2009)

The City Council of the City of Benicia (the "City") has adopted this Investment Policy (the "Investment Policy") in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City. All City funds will be invested in accordance with this Investment Policy and with applicable sections of the California Government Code.

This Investment Policy was endorsed and adopted by the City Council of the City of Benicia on October 20, 2009 pursuant to City Council Resolution No.09-106. It replaces any previous investment policy of the City.

I. SCOPE

The provisions of this Investment Policy shall apply to all financial assets as accounted for in the City's Comprehensive Annual Financial Report.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance in the City's investment portfolio. Interest earnings shall be distributed to the individual funds not less than annually.

II. OBJECTIVES

The principal investment objectives of the City are:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Compliance with the City's Municipal Code and with all applicable City resolutions, California statutes and Federal regulations.

III. DELEGATION OF AUTHORITY

Management responsibility for the City's investment program is delegated annually by the City Council to the Treasurer pursuant to California Government Code Section 53607, and has been further delegated to the Finance Director and the Assistant Finance Director. The Finance Director has primary responsibility for daily management of the City's investment portfolio. No person may engage in an investment transaction except as expressly provided under the terms of this Investment Policy.

The Finance Director shall develop written administrative procedures and internal controls, consistent with this Investment Policy, for the operation of the City's investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City.

The City may engage the support services of outside investment advisors in regard to its investment program, so long as it can be clearly demonstrated that these services produce a net financial advantage or necessary financial protection of the City's financial resources.

The Treasurer, the Finance Director and the Assistant Finance Director, acting as an investment committee will meet monthly to review the day to day management of the City's investment portfolio. They will meet quarterly to discuss overall portfolio performance.

IV. PRUDENCE

The standard of prudence to be used for managing the City's investments shall be California Government Code Section 53600.3, the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The City's overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City recognizes that no investment is totally without risk and that the investment activities of the City are a matter of public record. Accordingly, the City recognizes that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the City.

The Finance Director and authorized investment personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that the deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

V. ETHICS AND CONFLICTS OF INTEREST

Elected officials and City employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Elected officials and employees shall disclose to the City Council any business interests they have in financial institutions that conduct business with the City and they shall subordinate their personal investment transactions to those of the City. In addition, the Treasurer, the Finance Director, the Assistant Finance Director and others with delegated investment authority shall file a Statement of Economic Interests each year in accordance with California Government Code Section 87203 and regulations of the Fair Political Practices Commission and the City's Open Government Ordinance.

VI. AUTHORIZED SECURITIES AND TRANSACTIONS

All investments and deposits of the City shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686, except that in accordance with California Government Code Section 5903(e), proceeds of bonds and any moneys set aside or pledged to secure payment of the bonds may be invested in securities or obligations described in the ordinance, resolution, indenture, agreement, or other instrument providing for the issuance of the bonds. Any revisions or extensions of these code sections will be assumed to be part of this Investment Policy immediately upon being enacted. However, in the event that amendments to these sections conflict with this Investment Policy and past City investment practices, the City may delay adherence to the new requirements when it is deemed in the best interest of the City to do so. In such instances, after consultation with the City Attorney, the Finance Director will present a recommended course of action to the City Council for approval.

The City has further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes, bonds, or strips with a final maturity not exceeding five years from the date of trade settlement.

2. Federal Agency debentures and mortgage-backed securities with a final maturity not exceeding five years from the date of trade settlement issued by the Government National Mortgage Association (GNMA).

3. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by

federal agencies or United States government-sponsored enterprises, such as Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB) and Federal Home Loan Mortgage Corporation (FHLMC), with a final maturity not exceeding five years from the date of trade settlement.

Federal Instrumentality securities shall be rated at least AAA or the equivalent by a nationally recognized statistical-rating organization (NRSRO) at the time of purchase.

4. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities listed in items 1, 2 and 3 above with the maturity of the collateral not exceeding 10 years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily. Repurchase agreements with any one counterparty shall be limited to $1 million.

   Repurchase Agreements shall be entered into only with broker/dealers recognized as a primary dealer by the Federal Reserve Bank of New York, or with broker/dealers that have a primary dealer within their holding company structure. Approved Repurchase Agreement counterparties shall have a short-term credit rating of at least A-1 or the equivalent and a long-term credit rating of at least A or the equivalent by a NRSRO. Repurchase agreement counterparties shall execute a City approved Master Repurchase Agreement with the City. The Finance Director shall maintain a copy of the City's approved Master Repurchase Agreement along with a list of broker/dealers who have executed same.

5. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

   A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of $500,000,000 and (3) have debt other than commercial paper, if any, that is rated A, or higher, or the equivalent, by a NRSRO.

   B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated A-1 or higher, or the equivalent, by a NRSRO.

   The total investment in the commercial paper of any one issuer shall be limited to the lesser of 10% of the City's total portfolio or $1 million, and the aggregate investment in commercial paper shall not exceed 25% of the City's total portfolio.

6. Eligible Bankers Acceptances rated at least A-1 or the equivalent by each NRSRO that rates them at the time of purchase, with maturities not exceeding 180 days from the date of trade settlement; issued by a FDIC insured commercial bank whose senior long-term debt is rated at the time of purchase A or the equivalent by a NRSRO. The total investment in bankers acceptances of any one issuer shall be limited to the lesser of 5% of the City's total portfolio or $3 million, and the aggregate investment in bankers acceptances shall not exceed 20% of the City's total portfolio.

7. Non-negotiable Certificates of Deposit with a maturity not exceeding five years, in banks that meet the criteria set forth in Section X of this Investment Policy. The aggregate amount invested in Certificates of Deposit shall not exceed 25% of the City's total portfolio.

8. State of California's Local Agency Investment Fund (LAIF), created by California Government Code Section 16429.1.

9. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of $1.00; (3) invest only in the securities and obligations authorized in the applicable California statutes and (4) have a rating of at least AAA or the equivalent by a NRSRO. The total investment in money market funds of any one issuer shall be limited to the lesser of 10% of the City's total portfolio or $5 million, and the aggregate investment in money market funds shall not exceed 20% of the City's total portfolio.

Credit criteria and maximum percentages listed in this section refer to the credit of the issuing organization and/or maturity at the time the security is purchased. The City may from time to time be invested in a security whose rating is downgraded. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Finance Director and/or Designee and recommend a plan of action.

It is the intent of the City that the foregoing list of authorized securities and transactions is strictly interpreted. Any deviation from this list must be pre-approved by resolution of the City Council.

VII. PORTFOLIO MATURITIES, DIVERSIFICATION, and REALIGNMENTS

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City will not invest in securities maturing more than five years from the date of trade settlement, unless the City Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

The City shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets and the City's anticipated cash flow needs.

The City recognizes that occasional measured losses may occur in a diversified portfolio when securities are traded for other similar securities to improve yield, maturity, or credit risk. These losses shall be considered within the context of the long-term interest of the portfolio and may be incurred for accounting purposes, provided any of the following occurs with respect to the replacement security:

- Yield has been increased,
- Maturity has been adjusted to anticipate interest rate changes, or
- Credit quality of the investment has been improved.

Prior to purchasing securities for the City's portfolio, the credit rating of the security and the credit rating of the senior debt of the issuer, if applicable, shall be verified to assure compliance with investment policy guidelines. Securities that have been downgraded to below the minimum ratings will be sold or held at the Finance Director's discretion. The Finance Director is responsible for bringing the portfolio back into compliance as soon as practicable.

VIII. SELECTION OF BROKER/DEALERS

The Finance Director shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner

of Corporations as required by Section 25210 of the California Corporations Code. The firms they represent must:

1. be recognized as primary dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

Broker/dealers will be selected by the Finance Director on the basis of their expertise in public cash management and their ability to provide services for the City's account.

Annually, each authorized broker/dealer shall submit a City approved Broker/Dealer Information Request form and the firm's most recent financial statements.

The City may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as the purchase meets the criteria outlined in Item 5 of the Authorized Securities and Transactions section of this Investment Policy.

IX. COMPETITIVE TRANSACTIONS

Each investment transaction shall be competitively transacted with approved broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the City is offered a security for which there is no other readily available competitive offering, then the Finance Director will document quotations for comparable or alternative securities.

X. SELECTION OF BANKS

The Finance Director shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the City. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC coverage in accordance with California Government Code Section 53652.

XI. SAFEKEEPING AND CUSTODY

The Finance Director shall select one or more banks to provide safekeeping and custodial services for the City, in accordance with the provisions of Section 53608 of the California Government Code. A Safekeeping Agreement approved by the City shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the City's account and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities, except non-negotiable Certificates of Deposit, Money Market Funds and LAIF will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by a City approved custodian bank, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities shall be held in the Federal Reserve system in a customer account for the custodian bank which will name the City as “customer.”

All DTC eligible securities shall be held in the custodian bank’s DTC participant account and the custodian bank shall provide evidence that the securities are held for the City as “customer.”

All non-book entry (physical delivery) securities shall be held by the custodian bank or its correspondent bank and the custodian bank shall provide evidence that the securities are held by the bank for the City as "customer."

XII. PORTFOLIO PERFORMANCE

The investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the investment portfolio shall be compared to the average yield on the Merrill Lynch 1-3 Year Treasury Index. The Merrill Lynch 1-3 Year Treasury Index represents all U.S. Treasury securities maturing over one year, but less than three years. This maturity range is an appropriate benchmark based on the objectives of the City. When comparing the performance of the investment portfolio, all fees involved with managing it shall be included in the computation of its rate of return net of fees.

XIII. REPORTING

Quarterly, the Treasurer, the Finance Director and the Audit and Finance Committee shall submit to the City Manager and the City Council a report of the investment earnings and performance results of the City's investment portfolio. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the City;
2. The weighted average maturity of the investment portfolio;
3. A description of investments that are under the management of contracted parties;
4. A market value as of the date of the report and the source of the valuation;
5. A statement of compliance with this Investment Policy or an explanation of non-compliance; and
6. A statement of the City's ability to meet expenditure requirements for the following six months or an explanation of why sufficient funds may not be available.

XIV. POLICY REVIEW

This Investment Policy shall be adopted by resolution of the City Council. It shall be reviewed at least annually by the Treasurer, the Finance Director and the Audit and Finance Committee to ensure it remains consistent with the City's investment objectives, current law and economic trends. Any revisions to this Investment Policy must be approved by the City Council.

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GLOSSARY OF CALIFORNIA GOVERNMENT CODE

The glossary below briefly defines each California Government Code that is referenced in the City's policy and in the order in which they are cited.

Sections 53600 – 53609 are collectively referred to as Article I: Investment of Surplus

53600: Defines the term "local agency".

53600.3: Describes the standard of prudence in California for authorized persons.

53600.5: Defines the primary, secondary, and third objectives of investing and managing public funds.

53600.6: Declares that the deposit and investment of public funds by local officials and agencies is an issue of statewide concern.

53601: Provides guidelines for the investment of money in a sinking fund.

53601.1: Gives authority for investing in financial futures or financial option contracts.

53601.2: Defines "corporation" to include a limited liability company.

53601.5: Restricts investment purchases to be from authorized issuers and institutions.

53601.6: Restricts agencies from purchasing inverse floaters, range notes, or mortgage-derived, interest-only strips.

53601.8: Outlines the parameters under which a local agency may invest surplus funds in certificates of deposit.

53602: Lists the various types of indebtedness in which a legislative body is permitted to invest.

53603: Dictates how a legislative body may make a direct issue investment.

53604: Allows the legislative body authority to sell or exchange and then reinvest the proceeds of securities that have been purchased.

53605: Gives the legislative body to sell securities so that proceeds may be applied to the purposes for which the original purchase money was placed.

53606: Allows purchased bonds which were issued by the purchaser to be cancelled.

53607: Delegates authority to invest or reinvest funds of a local agency to the Treasurer for a one-year period.

53608: Defines the terms of safekeeping with a federal or state association.

53609: Outlines the ways in which deferred portions of an employee's compensation may be invested.

Sections 53630 – 53686 are collectively referred to as Article 2: Deposit of Funds

53630: Defines the following terms: local agency, Treasurer, depositor, agent of depository, security, pooled securities, administrator, savings association or federal association, federally insured industrial loan company, and corporation.

53630.1: Declares that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern.

53630.5: Defines depositories.

53631: Describes conditions established by the legislative body under which the Treasurer of a local agency may establish accounts at banks and deposit money in those accounts.

53632: Outlines the three classes of deposits.

53632.5: Outlines the three classes of security for deposits.

53633: States that the Treasurer shall determine the amount of money to be deposited as inactive, active, and interest-bearing active deposits.

53634: Defines the circumstances under which the Treasurer may place money in active deposits.

53635: Recognizes the distinct characteristics of investment pools.

53635.2: States that all money belonging to or in the custody of a local agency shall be deposited for safekeeping in state or national banks, savings associations, federal associations, credit unions, or federally insured industrial loan companies in California and selected by the Treasurer.

53635.7: Mandates that the legislative body shall discuss, consider, and deliberate each attempt to borrow $100,000 or more.

53636: States that money so deposited is deemed to be in the treasury of the local agency.

53637: Requires that the money be deposited in the institutions approved in 53635.2 with the objective of realizing maximum return.

53638: States that the deposit shall not exceed the shareholder's equity of any depository bank.

53639: Expresses that the depository shall bear the expenses of transportation of money to and from the depository.

53640: States that the depository shall handle, collect, and pay all checks, drafts, and other exchange without cost to the local agency.

53641: Requires the Treasurer to take and preserve a receipt, certificate of deposit, or other evidence of depository when money is deposited in a depository.

53642: Enables the money deposited to be drawn out by check or order of the Treasurer.

53643: Allows the Treasurer to deposit any part of the money as agreed upon between the Treasurer and the depository.

53644: Outlines the options allowed if an agreement is not made as provided for in 53643.

53646: Discusses requirements of a local agencies investment policy and investment reports.

53647: States how interest on deposited money shall be paid.

53647.5: Provides that interest earned on bail money deposited in a bank account shall be allocated for the support of the courts in that county.

53648: Regards the payment of interest of public moneys.

53648.5: Provides for the conditions under which a depository may be terminated.

53469: Allows the Treasurer to be responsible for the safekeeping of money.

53651: Defines eligible securities.

53651.2: Defines the provision with which a promissory note shall comply.

53651.4: Outlines the requirements of reports that depositories using eligible securities shall file.

53651.6: Lists the requirements of letters of credit for eligible securities.

53652: Outlines the collateral required to secure active and inactive deposits.

53653: Provides the conditions under which the Treasurer may waive security for a portion of deposits.

53654: Delineates the circumstances under which the depository may add or substitute securities in a pool.

53655: Defines the effect that the placement of securities by a depository with an agent of depository shall have.

53656: Defines how the Treasurer shall enter into a contract with a depository.

53657: Defines who shall act as an agent of depositories.

53658: Outlines how an agent of a depository shall hold and pool securities.

53659: Allows for an agent of depository that accepts securities to place such securities for safekeeping.

53660: Outlines the information that the Treasurer shall provide when deposits of a local agency are secured by pooled securities.

53661: Defines the responsibilities of the Commissioner of Financial Institutions.

53663: Defines the information that an agent of depository shall report in writing to the administrator after a withdrawal, substitution, or addition or pooled securities.

53664: States that the individual reports specified in Sections 53654, 53660, 53661, and 53663 are not public documents.

53666: Stipulates that the only liability that shall attach to the administrator as the result of the operation of this article is that which would attach as a result of other laws of this state.

53667: Discusses the expenses incurred by the administrator in conjunction with carrying out the duties and responsibilities assigned to the administrator.

53669: States that the Treasurer or other authorized official is not responsible for money while it is deposited pursuant to this article.

53676: States that the Treasurer is not responsible for securities delivered to and receipted for by any bank, savings and loan association, credit union, federally insured industrial loan company, or trust company.

53678: Calls for the charges for the handling and safekeeping of any such securities not to be charged against the Treasurer but to be paid for by the depository owning the securities.

53679: States how money belonging to a local agency under control of any of its officers shall be deposited.

53680: Mandates that any tax collector of a local agency shall immediately deposit with the Treasurer all money under his control, unless otherwise states.

53681: Stipulates that an officer of a local agency who deposits money belonging to a local agency in a manner other than prescribed in this article is subject to forfeiture of his office.

53682: Specifies contract requirements for monies being deposited.

53683: States how the consideration payable by the agency shall be paid by the Treasurer.

53684: Outlines how the Treasurer may deposit excess funds in investment pools.

53686: Discusses audits and reports related to the investment of local agency funds.

5903(e): States how the proceeds of bonds may be invested.

16429.1: Pertains to general requirements on how and where public money may be invested.

25210: Outlines the requirements of approved broker/dealers.

GFOA's GLOSSARY OF CASH MANAGEMENT TERMS

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality **rating.**

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate."
Interest Rate Risk - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions

should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).

7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services - Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) [(Total assets) - (Liabilities)]/(Number of shares outstanding)

No Load Fund - A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Prime Rate - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.
Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

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Rule 2a-7 of the Investment Company Act - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Serial Bond - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

This glossary has been adapted from an article, entitled "Investment terms for everyday use," that appeared in the April 5, 1996, issue of Public Investor, GFOA's subscription investment newsletter.

APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

City Council of the
City of Benicia
250 East L Street
Benicia, California 94510

OPINION: $13,250,000* Certificates of Participation (2011 Energy Conservation Projects) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Benicia, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

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Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Benicia (the "City"), of its $13,250,000* Lease Agreement, dated as of April 1, 2011, by and between the Public Property Financing Corporation of California (the "Corporation") and the City (the "Lease Agreement"), pursuant to the California Government Code. The Corporation has, pursuant to the Assignment Agreement, dated as of April 1, 2011 (the "Assignment Agreement"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the City thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of April 1, 2011, by and among the Trustee, the Corporation and the City (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Agreement Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement has been duly authorized, executed and delivered by the City and is an obligation of the City valid, binding and enforceable against the City in accordance with its terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Agreement Payments to be made by the City are payable from general funds of the City lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Agreement Payments in accordance with the terms and provisions of the Trust Agreement.

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* Preliminary, subject to change.

5. Subject to the City's compliance with certain covenants, interest with respect to the Certificates (i) is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates. Ownership of the Certificates may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

6. The portion of the Lease Agreement Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX F

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix F. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix E, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF BENICIA (the "City") in connection with the execution and delivery of $13,250,000* City of Benicia (Solano County, California) Certificates of Participation (2011 Energy Conservation Projects) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2011, by and among U.S. Bank National Association, as trustee (the "Trustee"), the City and the Public Property Financing Corporation of California (the "Trust Agreement"). Pursuant to Section 11.08 of the Trust Agreement, the City covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"*Dissemination Agent*" shall mean U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the 2010-11 Fiscal Year, which is due not later than March 31, 2012, file with EMMA, in

* Preliminary, subject to change.

a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance*. If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the City, the Annual Report shall also include financial and operating data with respect to the City for preceding fiscal year, as follows:

(i) general fund revenue sources by type (over $1,000,000);
(ii) combined annual contribution (City's share and employees' share) to the Public Employees Retirement System;
(iii) adopted general fund budget;
(iv) tax rates;
(v) assessed valuations; and
(vi) average daily attendance.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be

necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination (if not the City) to, give notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the City to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the City under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or

operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF BENICIA

By _____
Authorized Officer

ACKNOWLEDGED:

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Benicia

Name of Issue: Certificates of Participation (2011 Energy Conservation Projects) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the City of Benicia, as the Rental for Certain Property Pursuant to a Lease Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the City in connection with the Issue. The City anticipates that the Annual Report will be filed by _____.

Date: _____

U.S. BANK NATIONAL ASSOCIATION,
Dissemination Agent

By _____
Authorized Officer

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

IX.D.249

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

Form 500NY (5/90)

SPECIMEN

IX.D.253

IX.D.254

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
INFORMATIONAL ITEM

DATE : March 14, 2011

TO : City Manager

FROM : Acting Economic Development Manager

SUBJECT : **PREFERRED LESSOR FOR NATIONWIDE SIGN SITE**

RECOMMENDATION:

Review status of an exclusive negotiating rights agreement (ENRA) and timeline to develop a design and lease agreement for a reader board sign, which would replace the current Nationwide sign.

EXECUTIVE SUMMARY:

Last year an RFP process resulted in the selection of CBS Outdoor as the preferred company to negotiate an agreement for a reader board sign on City property, current location occupied by the Nationwide sign. An ENRA is the next step that would enable CBS Outdoor to move forward design plans and obtain community support for the type of sign the company is interested in at this site, a 14'x48' electronic billboard.

BUDGET INFORMATION:

No budget implications at this time; if eventually approved, a new sign on the property will benefit the City through possessory interest tax and utility users' tax, in addition to direct lease payments.

BACKGROUND

In an effort to publicly announce this project and update the City Council on the status between the respective parties, staff is placing this item as an informational report. The attached agreement is an agreement to negotiate, no land or dollars are being exchanged, therefore a vote of the City Council is not required to begin these discussions. Nevertheless, staff has brought this item before the Council to take advantage of the opportunity share this project with the public. Should negotiations warrant a lease agreement that would go before the City Council for formal action.

Beginning this month City staff will work with CBS Outdoor to begin the design review, public outreach and lease development process to replace the current Nationwide sign. It is the opinion of the City Attorney that a replacement sign at this location is consistent with the sign ordinance. The sign approval process would be:

- File sign/design review application;
- Community stakeholder/Economic Development Board review;
- Planning Commission approval;
- City Council approval (of Development Agreement or Lease Agreement, including sign design as one element).

The sign would be considered an "off-premise" sign by Caltrans and permitted accordingly. A list of all the permitted off-premise LED signs in the Bay Area is attached.

During the review process staff will, among other things, discuss with CBS Outdoor and the public the safety implications of a sign's brightness. While those discussions will continue throughout the process it is, nevertheless, fruitful to review information which has been reported to Council during a previous closed session.

Leading up to the execution of the ENRA, staff began reviewing sign brightness issues. There are a number of studies to reference. The two that seem to be the most recent and influential are the 2009 "Wachtel study"[1] commissioned by the American Association of State Highway and Transportation Officials (a copy of which was previously forwarded at the Mayor's request), which was intended to recommend guidelines for digital billboards, and the Federal Highway Administration's (FHWA) 2009 research review[2], which was intended to guide future research on them.

The Wachtel study has a number of recommendations on brightness, including that the screen shouldn't go dark between messages and no special effects should be allowed within or between messages. Regarding a maximum brightness limit, the study states:

> "There is no single luminance level that can be established as a reasonable criterion because brightness (although not actual luminance) is dependent upon the surrounding environment in the context of which a particular DBB [digital billboard] is viewed. Thus, for example, a DBB of the same size and luminance will appear to the

[1] http://www.scenic.org/pdfs/NCHRP%20Digital%20Billboard%20Report.pdf

[2] "The Effects of Commercial Electronic Variable Message Signs (CEVMS) on Driver Attention and Distraction: An Update." (FHWA Report) (Publication No. FHWA-HRT-09-018, February 2009; http://www.fhwa.dot.gov/realestate/cevms.pdf).

driver to be much brighter if it is located in a rural area or along an unlit roadway, than it would if it was in a brightly lit urban environment or adjacent to a illuminated freeway." (p. 153)

The study notes that New York State uses a nighttime ceiling of 280 candelas per square meter (cd/m2), and that an Australian study recommended levels between 300-500 cd/m2 depending on surroundings. As a point of comparison, CBS says its nighttime displays are set between 150-300 cd/m2.

The 2009 FHWA research review study states:

> "The conclusion of the literature review is that the current body of knowledge represents an inconclusive scientific result with regard to demonstrating detrimental driver safety effects due to CEVMS [changeable electronic variable message signs] exposure. This outcome points toward the importance of conducting carefully controlled and methodologically sound future research on the issue… This research program consists of three stages, which include determination of distraction, basis for possible regulation, and relationship of distraction to crashes." (p. 39)

The environmental documentation for recently approved DBBs in Sacramento[3] in 2010 and Berkeley[4] in 2007 handle the brightness/safety issue similarly to each other. In both cities, a mitigated negative declaration was adopted for the DBB project, which in both cases included amendments to the City Code to allow them. In Sacramento, DBBs were allowed but not on City-owned property prior to this project. In Berkeley, the amendment allowed signs covered in sign relocation agreements, such as this one, to be exempt from the sign ordinance.

In Sacramento, the adopted brightness standards were proposed by the applicant (Clear Channel), and were that the illumination on the sign would not exceed 0.3 foot candles over ambient levels, and that light sensors on each sign would automatically adjust it to current conditions. The Initial Study (IS) concluded that any potential hazard was addressed by the FHWA and Caltrans standards and guidelines, particularly as laid out in a 2007 FHWA Memorandum (attached). The IS references both the Wachtel and FHWA studies in its analysis. The City's required mitigation measures for the potential hazard were: 1) no special effects, and 2) required annual reports that cover the billboards' functionality, downtime, intent to add GPS, RFID, or any other "interactive" element, complaints, permit status, etc. There were no particular mitigation measures identified for visual character.

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[3] http://www.cityofsacramento.org/dsd/meetings/commissions/planning/2010/documents/CPC_P09-055_Digital_Billboards_MND_Revised_03-25-10.pdf

[4] http://www.ci.berkeley.ca.us/citycouncil/2007citycouncil/packet/032007/2007-03-20%20Item%2031a%20Sign%20Relocation%20AgreementFunding%20for%20Gilman%20Fields%20Project.pdf

In Berkeley, the IS found that the visual impact and brightness effect of the new CBS Outdoor DBB in front of their regional office adjacent to I-80 would be offset by the mitigation measure of removing six (illuminated but not electronic) billboards from city streets throughout the community. It also references existing state and Federal regulations. It addresses potential traffic hazards by requiring as a mitigation measure that the sign comply with Caltrans regulations and state law.

The ultimate purpose of an ENRA is to reach an agreement that is mutually beneficial to both parties. A new sign on this property will financially benefit the City through possessory interest tax, utility users' tax, direct lease payments, serve as a potential advertising opportunity for public messages, and replace the current inoperative Nationwide sign. The term of the ENRA is for a period of twelve months. During that time the City and CBS Outdoor will negotiate to reach agreement of a variety of terms, such as lease payments, length of contract, advertising restrictions, etc.

Attachments:

- Exclusive Negotiating Rights Agreement
- FHWA Memorandum: "Guidance on Off-Premise Changeable Message Signs", September 25, 2007
- Off-Premise LED Sign Caltrans Permits

EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT BY AND BETWEEN CBS OUTDOOR AND THE CITY OF BENICIA

THIS EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT ("ENRA") is entered into effective as of April __, 2011("Effective Date") by and between the City of Benicia ("City"), a municipal corporation, and CBS Outdoor Inc., a Delaware corporation ("Developer"). City and Developer are hereinafter collectively referred to as the "Parties."

WHEREAS, the City seeks repair or replacement of the electronic reader board (digital LED) sign owned and operated by it and currently erected on City right-of-way at 5-1E (Park Road) (the "Site", further described in Exhibit A) in the City of Benicia, in general accordance with the City's General Plan and Municipal Code (the "Project"); and

WHEREAS, Developer submitted a timely response to the City's issuance of a Request for Proposal dated July 18, 2008 seeking a developer with experience in highway-oriented electronic reader board (digital LED) signage for this Site; and

WHEREAS, at its meeting of October 26, 2010, the City Council directed staff to pursue negotiations with Developer regarding Developer's proposed development of the Project on the Site, granting Developer exclusive rights to negotiate for the purpose of reaching agreement on a lease agreement ("Agreement") whose terms and conditions shall govern development of the Project and transfer to Developer of the Site; and

WHEREAS, Developer anticipates expending significant funds to conduct certain studies and obtain necessary permits that will be needed to assess the feasibility of the Project and to negotiate the Agreement..

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Good Faith Efforts to Negotiate. The Parties shall use reasonable commercial efforts to successfully negotiate an Agreement that shall describe the terms and conditions governing development of a sign on the Site and the lease by City to Developer of the Site. The Parties shall diligently and in good faith pursue such negotiations. Furthermore, the Parties shall use their reasonable commercial efforts to obtain any third-party consent, authorization, approval, or exemption required in connection with the transactions contemplated hereby. This ENRA does not impose a binding obligation on City to convey such interest to Developer, obligate City to grant any approvals or authorizations required for the Project nor does it obligate Developer to enter into the Agreement or to take any actions not specifically required hereunder..

2. Developer's Exclusive Right to Negotiate with City. City agrees that it will not, during the term of this ENRA, directly or indirectly, through any officer, employee, agent, or otherwise, solicit, initiate or encourage the submission of bids, offers or proposals by any person or entity with respect to the acquisition of any interest in the Site or the development of the Site, and City

shall not engage any broker, financial adviser or consultant to initiate or encourage proposals or offers from other parties with respect to the disposition or development of the Site or any portion thereof.

Furthermore, City shall not, directly or indirectly, through any officer, employee, agent or otherwise, engage in negotiations concerning any such transaction with, or provide information to, any person other than Developer and its representatives with a view to engaging, or preparing to engage, that person with respect to the disposition or development of the Site or any portion thereof.

3. Term. The term of this ENRA ("Term") shall commence on the Effective Date, and shall terminate six (6) months thereafter, unless extended or earlier terminated as provided herein. The Term may be extended for up to a maximum of twelve (12) additional months upon the mutual written agreement of Developer and City acting through and in the discretion of its City Manager. In that event, Exhibit B shall be adjusted accordingly.

4. Description of the Project. The Parties shall agree that the Project that will be further detailed in the Agreement is anticipated to be an electronic reader board (digital LED) oriented to I-680 traffic with design details as may be described in the Agreement. The Parties acknowledge there may be land use entitlements required for the Project, subject to the City's normal development approval process. The Project must comply with the California Environmental Quality Act.

The Parties acknowledge that the Project is intended to serve as an entry point in our southern gateway, and should have high-quality design features. It must meet safety standards and be fully compliant with the standards of any and all affected agencies, including but not limited to the California Department of Transportation and the Federal Highway Administration.

5. Developer Work and Timeline. Exhibit B details the tasks to be undertaken by Developer during the Term. The Parties agree that should the Term be extended pursuant to Section 3 of this ENRA, Exhibit B shall be revised accordingly and initialed by both parties at the time of extension. The sign design may or may not be approved at the time the Agreement is completed, which is why that is not a milestone in Exhibit B.

6. Developer's Studies; Right of Access. During the Term, Developer shall prepare, at Developer's expense, any studies, surveys, plans, specifications and reports ("Developer's Studies") Developer deems necessary or desirable in Developer's sole discretion, to determine the suitability of the Site for the Project. Developer is responsible for preparing a new legal description for the Site for City's review and approval. If it is mutually agreed that creating a new parcel is necessary, Developer shall prepare all documentation for City's standard approval process.

Developer shall have the right of reasonable access to the City-owned parcel comprising the Site for the purposes of inspection, environmental assessments, soils testing, and similar work. The City may impose reasonable limitations on access. Developer shall indemnify and hold the City harmless from any injury, property damage, or liability arising out of the exercise

by Developer of this right of access. Developer shall be responsible for obtaining any additional rights of access to adjacent properties owned by others that are necessary to prepare the Developer's Studies.

Both parties are entering into this ENRA without monetary compensation. In lieu of such compensation to City, within 10 business days following the expiration of the Term without the Parties having successfully negotiated an Agreement and no longer trying to reach an Agreement, Developer shall provide City with copies of Developer's Studies in latest form they are in, excepting any attorney-client or attorney work product privileged materials.

7. City's Reports, Obligations, and Studies. Within 21 days following the Effective Date, City shall make available to Developer for review or copying at Developer's expense all non-privileged studies, surveys, plans, specifications, reports, and other documents with respect to the Site that City has in its possession or control.

8. Developer acknowledges that it will self finance the Project.

9. Relationship of the Parties. The Parties agree that nothing in this ENRA shall be deemed or interpreted to create between them the relationship of lessor and lessee, of buyer and seller, or of partners or joint venturers.

10. Disclosure.

A. Developer warrants that none of its principals, officers, partners, joint venturers, employees, associates, nor affiliates who have any economic interest in this ENRA, the contemplated Agreement, or the Project, have a familial, financial, or other material relationship with any elected or appointed official and employee of the City.

B. City warrants that none of its elected or appointed officials and employees designated in the City's Conflict of Interest Code have any economic interest in this ENRA, the contemplated Agreement, or the Project; nor do they have any familial, financial, or other material relationship with Developer's principals, officers, partners, joint venturers, employees, associates, or affiliates.

11. Expenses. Except as otherwise expressly provided herein, all costs and expenses (including, without limitation, all legal fees and expenses) incurred in connection with this ENRA and the activities contemplated hereby shall be paid by the Party incurring the same.

12. Dissemination of Information. During the term of this ENRA, each Party shall obtain the consent of the other Party prior to issuing or permitting any of its officers, employees or agents to issue any press release or media statement to the press with respect to this ENRA; provided however, no Party shall be prohibited from supplying any information to its representatives, agents, attorneys, advisors, financing sources and others to the extent necessary to accomplish the activities contemplated hereby so long as such representatives, agents, attorneys, advisors, financing sources and others are made aware of the terms of this Section. Nothing contained in this ENRA shall prevent either Party at any time from furnishing any required information to any governmental entity or authority pursuant to a legal requirement or from complying with its legal or contractual obligations.

Nothing contained in this agreement shall be construed or interpreted to prevent or restrain compliance with the provisions of the California Public Records Act, the Ralph M. Brown Act, or the City of Benicia Open Government Ordinance. Nothing contained in this agreement shall be construed or interpreted to prevent either Party from responding to media inquiries in a timely manner.

13. Execution of Agreement. If the Parties successfully negotiate an Agreement, City shall promptly schedule the matter on the City Council's agenda, shall comply with all applicable requirements of the California Environmental Quality Act (CEQA), and shall recommend approval of the Agreement to the City Council. The City shall have no legal obligation to grant any approvals or authorizations for the Project until the Agreement has been approved by the City Council. Once approved, the Agreement will be timely executed by both parties.

14. Termination. This ENRA may be terminated at any time by mutual consent of the Parties. City shall have the right to terminate this ENRA upon its good faith determination that Developer is in default of its obligations pursuant to this ENRA. City shall exercise such right by providing at least ten (10) days' advance written notice to Developer which notice shall describe the nature of Developer's default hereunder. Notwithstanding the foregoing, if Developer commences to cure such default within such 10-day period and diligently prosecutes such cure to completion within the earliest feasible time but not later than thirty (30) days following the date of the notice, this ENRA shall remain in effect. Developer shall have the right to terminate this ENRA, effective upon 10 days' written notice to City, if the results of its investigation of the Property are unsatisfactory, in Developer's sole and absolute discretion, with respect to Developer's desired development activities or if Developer is unable to obtain other necessary approvals, rights or interests. Except as reserved in Paragraph 15 below, termination shall be the sole and exclusive remedy of either party for breach of this RENRA by the other party and neither Party shall have the right to seek an award of damages as a result of the termination of this ENRA pursuant to this Section.

15. Effect of Termination. Upon termination as provided herein, or upon the expiration of the Term and any extensions thereof without the Parties having successfully negotiated an Agreement, this ENRA shall forthwith be void, and there shall be no further liability or obligation on the part of either of the Parties or their respective officers, employees, agents or other representatives; provided however, the provisions of Section 11 (Expenses), Section 12 (Dissemination of Information), Section 17 (Indemnity) and Section 21 (Brokers) shall survive such termination. Provided further, that upon termination or expiration of this ENRA without the Parties having successfully negotiated an Agreement, Developer shall deliver to City, within 10 days of termination or expiration, a copy of all of the Developer's Studies in final form, excepting any attorney-client or attorney work product privileged materials.

16. Notices. Except as otherwise specified in this ENRA, all notices to be sent pursuant to this ENRA shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by: (i) personal delivery, in which case notice is effective upon delivery; (ii) first-class U.S. mail; (iii) nationally

recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

City: City Manager's Office
250 East L Street
Benicia CA 94510
Fax: 707-747-8120
Attn: Mario Giuliani, Acting Economic Development Manager

Developer: CBS Outdoor
1696 Eastshore Highway
Berkeley CA 94710
Fax: 510-527-7041
Attn: Bob Harbin

With a copy to:
CBS Outdoor
405 Lexington Avenue
New York, NY 10174
Attn: General Counsel

17. Indemnification. Developer hereby covenants, on behalf of itself and its permitted successors and assigns, to indemnify, hold harmless and defend the City and its respective elected and appointed officials, officers, agents, representatives and employees ("Indemnitees") from and against all claims, costs (including without limitation reasonable attorneys' fees and litigation costs) and liability, arising out of or related to its negligent or willful acts or omissions in conducting its studies and other affirmative obligations under this ENRA; except to the extent contributed to by the negligence or willful misconduct of any Indemnitee.

18. Severability. If any term or provision of this ENRA or the application thereof shall, to any extent, be held to be invalid or unenforceable, such term or provision shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this ENRA or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable unless an essential purpose of this ENRA would be defeated by loss of the invalid or unenforceable provision.

19. Effect of Agreement; Entire Agreement; Amendments In Writing; Counterparts.

A. The Parties acknowledge that nothing in this ENRA shall be deemed a commitment by the either Party to enter into an Agreement with the other Party on any particular terms or conditions, or to acquire or transfer the Site in furtherance of the Project.

B. The Parties acknowledge that the final form of the contemplated Agreement may contain matters not covered in this ENRA, and the provisions herein are not intended to exclude or preclude any other issues that may arise during the negotiation period.

C. This ENRA contains the entire understanding of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, oral and written, between the Parties with respect to such subject matter. Only a written instrument executed by the Parties or their successors in interest may amend this ENRA. This ENRA may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one agreement.

D. The City Manager shall have the authority to implement this ENRA on behalf of the City. The City Manager (or his/her duly authorized representative) shall have the authority to issue interpretations, waive provisions, and enter into amendments of this ENRA on behalf of the City.

E. The Parties acknowledge that there may be additional or substitute documents covering the issues contemplated to be addressed in the Lease Agreement, such as a Development Agreement.

20. Successors and Assigns; No Third-Party Beneficiaries. This ENRA shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns; provided however, that except for an assignment to an entity controlled, controlling or under common control with it by Developer, which requires no consent from City, neither Party shall transfer or assign any of such Party's rights hereunder by operation of law or otherwise without the prior written consent of the other Party, and any such transfer or assignment without such consent, which for City may be given by its City Manager, shall be void. Subject to the immediately preceding sentence, this ENRA is not intended to benefit, and shall not run to the benefit of or be enforceable by, any other person or entity other than the Parties and their permitted successors and assigns.

21. Brokers. Each Party warrants and represents to the other that no brokers have been retained or consulted in connection with this transaction other than as described in this Section or otherwise disclosed in writing to the other Party. Each Party agrees to defend, indemnify and hold harmless the other Party from any claims, expenses, costs or liabilities arising in connection with a breach of this warranty and representation. Developer shall be solely responsible for payment of all fees payable to any broker who provides assistance in connection with the acquisition of the Property or any portion thereof and the transactions contemplated hereby, and shall indemnify City against any and all claims arising in connection therewith. The terms of this Section shall survive the expiration or earlier termination of this ENRA.

22. Captions. The captions of the sections and articles of this ENRA are for convenience only and are not intended to affect the interpretation or construction of the provisions hereof.

23. Governing Law/Forum. This ENRA shall be governed by and construed in accordance with the laws of the State of California. Any lawsuit to enforce or interpret this ENRA shall be brought in Solano County.

24. Anticipated Subjects in Agreement. The Parties agree that it is their current non-binding intention that the final Agreement shall include, but not be limited to, the following subjects:

A. Rent structure, such as: schedule of payments, base rent plus percentage rent, etc.

A. 20 year term with a renewal option;

B. Developer to bear all costs for constructing, permitting, running, and maintaining the replacement/repaired sign, and removing the old sign (if replaced);

C. Sign design, pursuant to review by community and City bodies;

D. Sign display size, anticipated to be 14' by 48';

E. Definition of the site (new legal description);

F. Provision for some amount of City and community free time on the sign (to advertise events, tourism, economic development needs, etc.);

G. Community restrictions on advertising (such as no alcohol, gambling, tobacco, adult businesses, and/or available commercial/industrial property outside Benicia, etc.);

H. Limits on brightness of sign within industry norms;

I. Provisions for landscape maintenance on I-680 adjacent to Site and Site vicinity itself as may be further defined in Agreement;

J. Restrictions on additional uses on Site (such as cellular towers);

K. Assignment rights;

L. Periods of operation;

M. Insurance and indemnification for liability associated with the sign;

N. Provisions for leaving Site at end of term.

IN WITNESS WHEREOF, the Parties have executed this ENRA as of the date first written above.

THE CITY OF BENICIA

By: _____ _____
Brad Kilger Date
City Manager

DEVELOPER

CBS Outdoor Inc.,

By:

By:_____ _____
Date

By:_____ _____
Date

APPROVED AS TO FORM:

By: _____
Heather C. McLaughlin, City Attorney

EXHIBIT A

SITE DESCRIPTION

The southeasterly portion of the Park Road right-of-way adjacent to the State Highway I-680 between Stone Road and East 2nd Street designated as 5-1E (Park Road) on the parcel map recorded in Book 6 of Parcel Maps at Page 9 recorded on March 14, 1972 at the Solano County Recorder's Office.

EXHIBIT B

DEVELOPER WORK SCHEDULE

Task	Deadline
1. Developer to sign ENRA. Developer will have signed ENRA in anticipation of presentation to City Council.	By March 30, 2011
2. Presentation of ENRA to City Council and Effective Date (if approved).	April 5, 2011
3. Submittal of Sign Permit Application and Fee.	By 30 days after Effective Date (May 5, 2011)
4. First Community Meeting. Developer presentation to Economic Development Board.	By 60 days after Effective Date (June 5, 2011)
5. Design Concept Submittal. The Developer shall deliver to the City Planning and Economic Development staff no less than three sign design options for staff-level design review.	By 90 days after Effective Date (July 5, 2011)
6. Second Community Meeting. Developer presentation to Planning Commission.	By 180 days after Effective Date (October 5, 2011)
7. Developer Due Diligence. Completion by the Developer of the due diligence which may include the following items: soils/geotechnical, environmental/CEQA, brightness/visual impact, Caltrans permit, and/or other studies as needed at Developer's sole discretion and City's requirements to process the sign permit application.	By 270 days after the Effective Date (January 2012)
8. Additional Community Meetings As Needed. To be determined; meetings necessary to gaining community consensus on sign.	As needed
9. Agreement Approved.	By 365 days after the Effective Date (April 5, 2012)

Memorandum

U.S. Department of Transportation
Federal Highway Administration

Subject: **INFORMATION:** Guidance on Off-Premise Changeable Message Signs

Date: September 25, 2007

In Reply Refer To: HEPR -20

From: Original signed by:
Gloria M. Shepherd
Associate Administrator for
Planning, Environment, and Realty

To: Division Administrators
Attn: Division Realty Professionals

Purpose

The purpose of this memorandum is to provide guidance to Division offices concerning off-premises changeable message signs adjacent to routes subject to requirements for effective control under the Highway Beautification Act (HBA) codified at 23 U.S.C. 131. It clarifies the application of the Federal Highway Administration (FHWA) July 17, 1996 memorandum on this subject. This office may provide further guidance in the future as a result of additional information received through safety research, stakeholder input, and other sources.

Pursuant to 23 CFR 750.705, a State DOT is required to obtain FHWA Division approval of any changes to its laws, regulations, and procedures to implement the requirements of its outdoor advertising control program. A State DOT should request and Division offices should provide a determination as to whether the State should allow off-premises changeable electronic variable message signs (CEVMS) adjacent to controlled routes, as required by our delegation of responsibilities under 23 CFR 750.705(j). Those Divisions that already have formally approved CEVMS use on HBA controlled routes, as well as those that have not yet issued a decision, should re-evaluate their position in light of the following considerations. The decision of the Division should be based upon a review and approval of a State's affirmation and policy that: (1) is consistent with the existing Federal/State Agreement (FSA) for the particular State, and (2) includes but is not limited to consideration of requirements associated with the duration of message, transition time, brightness, spacing, and location, submitted for FHWA approval, that evidence reasonable and safe standards to regulate such signs are in place for the protection of the motoring public. **Proposed laws, regulations, and procedures that would allow permitting CEVMS subject to acceptable criteria (as described below) do not violate a prohibition against "intermittent" or "flashing" or "moving" lights as those terms are used in the various FSAs that have been entered into during the 1960s and 1970s.**

This Guidance is applicable to conforming signs, as applying updated technology to nonconforming signs would be considered a substantial change and inconsistent with the requirements of 23 CFR 750.707(d)(5). As noted below, all of the requirements in the HBA and its implementing regulations, and the specific provisions of the FSAs, continue to apply.

Background

The HBA requires States to maintain effective control of outdoor advertising adjacent to certain controlled routes. The reasonable, orderly and effective display of outdoor advertising is permitted in zoned or unzoned commercial or industrial areas. Signs displays and devices whose size, lighting and spacing are consistent with customary use determined by agreement between the several States and the Secretary, may be erected and maintained in these areas (23 U.S.C. § 131(d)). Most of these agreements between the States and the Secretary that determined the size, lighting and spacing of conforming signs were signed in the late 1960's and the early 1970's.

On July 17, 1996, this Office issued a Memorandum to Regional Administrators to provide guidance on off-premise changeable message signs and confirmed that FHWA has "always applied the Federal law 23 U.S.C. 131 as it is interpreted and implemented under the Federal regulations and individual Federal/State agreements.". It was expressly noted that "in the twenty-odd years since the agreements have been signed, there have been many technological changes in signs, including changes that were unforeseen at the time the agreements were executed. While most of the agreements have not changed, the changes in technology require the State and FHWA to interpret the agreements with those changes in mind". The 1996 Memorandum primarily addressed tri-vision signs, which were the leading technology at the time, but it specifically noted that changeable message signs "regardless of the type of technology used" are permitted if the interpretation of the FSA allowed them. Further advances in technology and affordability of LED and other complex electronic message signs, unanticipated at the time the FSAs were entered into, require the FHWA to confirm and expand on the principles set forth in the 1996 Memorandum.

The policy espoused in the 1996 Memorandum was premised upon the concept that changeable messages that were fixed for a reasonable time period do not constitute a moving sign. If the State set a reasonable time period, the agreed-upon prohibition against moving signs is not violated. Electronic signs that have stationary messages for a reasonably fixed time merit the same considerations.

Discussion

Changeable message signs, including Digital/LED Display CEVMS, are acceptable for conforming off-premise signs, if found to be consistent with the FSA and with acceptable and approved State regulations, policies and procedures.

This Guidance does not prohibit States from adopting more restrictive requirements for permitting CEVMS to the extent those requirements are not inconsistent with the HBA, Federal regulations, and existing FSAs. Similarly, Divisions are not required to concur with State proposed regulations, policies, and procedures if the Division review determines, based upon all relevant information, that the proposed regulations, policies and procedures are not consistent with the FSA or do not include adequate standards to address the safety of the motoring public. If the Division Office has any question that the FSA is being fully complied with, this should be discussed with the State and a process to change the FSA may be considered and completed before such CEVMS may be allowed on HBA controlled routes. The Office of Real Estate Services is available to discuss this process with the Division, if requested.

If the Division accepts the State's assertions that their FSA permits CEVMS, in reviewing State-proposed regulations, policy and procedures for acceptability, Divisions should consider all relevant information, including but not limited to duration of message, transition time, brightness, spacing, and location, to ensure that they are consistent with their FSA and that there are adequate standards to address safety for the motoring public. Divisions should also confirm that the State provided for appropriate public input, consistent with applicable State law and requirements, in its interpretation of the terms of their FSA as allowing CEVMS in accordance with their proposed regulations, policies, and procedures.

Based upon contacts with all Divisions, we have identified certain ranges of acceptability that have been adopted in those States that do allow CEVMS that will be useful in reviewing State proposals on this topic. Available information indicates that State regulations, policy and procedures that have been approved by Divisions to date, contain some or all of the following standards:

- Duration of Message
  - Duration of each display is generally between 4 and 10 seconds – 8 seconds is recommended.
- Transition Time
  - Transition between messages is generally between 1 and 4 seconds – 1-2 seconds is recommended.
- Brightness
  - Adjust brightness in response to changes in light levels so that the signs are not unreasonably bright for the safety of the motoring public.
- Spacing
  - Spacing between such signs not less than minimum spacing requirements for signs under the FSA, or greater if determined appropriate to ensure the safety of the motoring public.
- Locations
  - Locations where allowed for signs under the FSA except such locations where determined inappropriate to ensure safety of the motoring public.

Other standards that States have found helpful to ensure driver safety include a default designed to freeze a display in one still position if a malfunction occurs; a process for modifying displays and lighting levels where directed by the State DOT to assure safety of the motoring public; and requirements that a display contain static messages without movement such as animation, flashing, scrolling, intermittent or full-motion video.

Conclusion

This Memorandum is intended to provide information to assist the Divisions in evaluating proposals and to achieve national consistency given the variations in FSAs, State law, and State regulations, policies and procedures. It is not intended to amend applicable legal requirements. Divisions are strongly encouraged to work with their State in its review of their existing FSAs and, if appropriate, assist in pursuing amendments to address proposed changes relating to CEVMS or other matters. In this regard, our Office is currently reviewing the process for amending FSAs, as established in 1980, to determine appropriate revisions to streamline requirements while continuing to ensure there is adequate opportunity for public involvement.

For further information, please contact your Office of Real Estate Point of Contact or Catherine O'Hara (Catherine.O'Hara@dot.gov).

X.A.1.19

Off-Premise LED Sign Caltrans Permits

November 4, 2010

Pmt No	Co	Route	Holder	Application No.	Status	Property Owner
OF04-0022	ALA	Rte. 80 PM	Port Of Oakland	A04-0358	Active - Built	Port of Oakland
OF04-0011	ALA	Rte. 80 PM	CBS Outdoor, Inc.	A04-0256	Active - Built	Port of Oakland
OF04-0012	ALA	Rte. 80 PM	CBS Outdoor, Inc.	A04-0255	Active - Built	Port of Oakland
OF04-0013	ALA	Rte. 80 PM	CBS Outdoor, Inc.	A04-0305	Active - Built	OUTDOOR SYSTEMS, INC.
OF04-0014	ALA	Rte. 80 PM	CBS Outdoor, Inc.	A04-0306	Active - Built	OUTDOOR ADVERTISING, INC.
OF04-0016	ALA	Rte. 880 P	Fifth Avenue Media Services	A04-0314	Active - Built	UNION CITY
OF04-0010	ALA	Rte. 880 P	Clear Channel Outdoor	A04-0252	Active - Built	Redevelopment Agency of the City of Oakland
OF04-0023	ALA	Rte. 92 PM	Clear Channel Outdoor, Inc.	A04-0380	Active - Not Built	Robert S. Figone, Jr.
OF04-0024	ALA	Rte. 92 PM	Clear Channel Outdoor, Inc.	A04-0381	Active - Not Built	Robert S. Figone, Jr.
OF04-0017	CC	Rte. 80 PM	Ad Art Inc. DBA Ad Art Sign Company	A04-0321	Active - Built	SPI Property Holdings
OF04-0018	CC	Rte. 80 PM	Ad Art Inc. DBA Ad Art Sign Company	A04-0323	Active - Built	SPI PROPERTY HOLDINGS
OF04-0005	SCL	Rte. 101 P	Freeway Signage Associates LLC	A04-0133	Active - Built	City of Santa Clara (Easement)
OF04-0019	SF	Rte. 101 P	Pacific Motor Inn LLC	A04-0325	Active - Built	La Luna Inn, LLC
OF04-0020	SM	Rte. 101 P	Freeway Signage Associates LLC	A04-0339	Active - Built	James Law
OF04-0015	SOL	Rte. 80 PM	Fairfield Hotel Association	A04-0320	Active - Built	CITY OF FAIRFIELD
OF04-0008	SOL	Rte. 80 PM	Tony Batarse	A04-0239	Active - Built	Anthony J. Batarse Jr.
OF04-0021	SOL	Rte. 80 PM	PC Dixon 1, LLC/PHG, LLC	A04-0347	Active - Built	Sign Easement w/ Ghasem Tousinezhad
OF04-0007	SOL	Rte. 80 PM	Solano County Fair Association	A04-0195	Active - Built	Solano County
OF04-0002	SON	Rte. 101 P	Spreckels Performing Arts Center	A04-0119	Active - Built	City of Rohnert Park
OF04-0004	SON	Rte. 101 P	Vehicle Discounter, INc	A04-0124	Active - Built	Benson Investments Inc.

X.A.1.20

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Mayor Patterson

FROM : City Manager

SUBJECT : **MAYORS' COMMITTEE MEETING**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

The Mayors' Committee meetings are held on the third Wednesday of each month at 6:30 pm. The last meeting was held on February 16, 2011 and a copy of the agenda is attached along with the minutes from the January 19, 2011 meeting.

The next Mayors' Committee meeting is on Wednesday, March 16, 2011 and is the Solano County Mayor's Conference, which will be held at Foster's Bighorn in Rio Vista. A flyer of the event is attached.

X.B.1.2

SOLANO COUNTY
MAYORS' COMMITTEE MEETING

Foster's Bighorn
143 Main Street
Rio Vista, California
(This is a cash & check only restaurant, no credit cards)

Wednesday
March 16, 2011
6:00 PM

AGENDA

1. **Roll Call/Call to Order**

2. **Introductions by Mayor Jan Vick**

3. **Public Comment**
   (Members of the public may address the Committee on matters not listed on the agenda, but within the jurisdiction of the Committee.)

4. **Business:**
   - A. **Approval of Minutes for the January 19, 2011, meeting.**
   - B. **SFBAAQMB and potential city representation.**
   - C. **Discussion of April meeting.**

5. **Adjournment**

SOLANO COUNTY
MAYORS' COMMITTEE MEETING

Main Street Bar and Grill
627 Main Street
Suisun City, California

Wednesday
January 19, 2011
6:00 PM

MINUTES

4. Roll Call/Call to Order

Chairperson/Mayor Jan Vick called the meeting to order at 6:45 p.m.

Mayors Present:

Mayor Elizabeth Patterson	City of Benicia
Mayor Jack Batchelor	City of Dixon
Mayor Harry T. Price	City of Fairfield
Mayor Jan Vick	City of Rio Vista
Mayor Pete Sanchez	City of Suisun City
Mayor Steve Hardy	City of Vacaville

Mayors Absent:

Mayor Osby Davis	City of Vallejo

A quorum was present.

5. Introductions by Mayor Jan Vick:

All attendees were acknowledged and welcomed by Mayor Vick.

6. Public Comment

There were no speakers under public comment.

7. Business:

D. Approval of Minutes for the December 15, 2010, meeting:

The December 15, 2010 minutes were approved on a motion by Mayor Harry Price and a second by Mayor Jack Batchelor.

E. <u>Roundtable discussion of mutual City issues</u>:

The Mayors each discussed new councils, interests and issues that are occurring in their respective communities.

8. Adjournment

The meeting was adjourned at 7:45 p.m. The next meeting of the Mayors' Committee is scheduled for March 16, 2011.

X.B.1.6

SOLANO COUNTY MAYORS' CONFERENCE

Guest Speaker

Michael Coleman

Fiscal Policy Advisor

League of California Cities

"UPDATE ON STATE BUDGET"

Hosted by The City of Dixon

*DIRECTIONS FROM HIGHWAY 80:
Eastbound: Take Curry Road Exit. Take second right and follow to end of road.
Westbound: Take the Dixon/Highway 113 Exit. Take a left and go over the freeway. Take first right and follow to end of road.

Wednesday
February 16, 2011

Cattlemen's Restaurant
250 Dorset Court*
Dixon, California

6:00 PM
Registration
Appetizers & No Host Bar
6:30 PM - Dinner Seating
7:30 PM – Program

Cost
$**40** per person, gratuity included

Entrée Choices:
Teriyaki Chicken
Grilled Sirloin Steak
Grilled Atlantic Salmon
Spinach Ravioli with Marinara

Dinner includes baked potato, seasonal vegetables, all you can eat salad, ranch style beans, sourdough bread, coffee, tea or soda, and dessert.

Please RSVP no later than
February 9, 2011
to:
Sue Johnston
Phone: 707-678-7000 Ext. 103
Email: sjohnston@ci.dixon.ca.us

Make checks payable to:
City of Dixon

Mail to:
City of Dixon
Attention: Sue Johnston
600 East A Street
Dixon, CA 95620

X.B.1.7

X.B.1.8

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 4, 2011

TO : Mayor Patterson
Vice Mayor Schwartzman

FROM : City Attorney

SUBJECT : **ABAG COMMITTEE MEETING**

The following information is provided for your committee report at the April 5, 2011 council meeting:

- The date for the 2011 Spring General Assembly will be held on Thursday, April 14, 2011.
- The conference will be held in Oakland at the Marriott.
- The topics for the Spring General Assembly have not been determined yet.
- Registration will be available later this month.

Attachments:

- February-March Issue of "Service Matters"
- April 14, 2011 General Assembly Meeting Agenda
- Draft meeting Minutes of April 22, 2010 General Assembly Business Meeting

X.B.2.2

SPECIAL EDITION

Service Matters

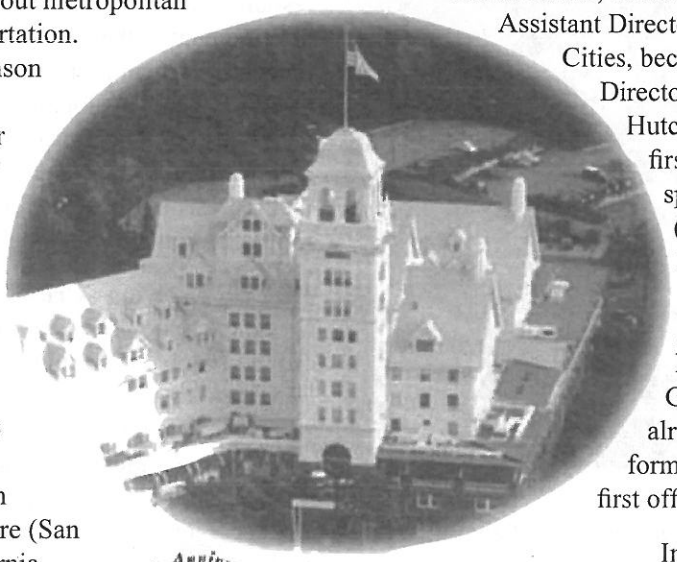
Association of Bay Area Governments

February-March 2011 • Issue No. 111

Celebrating ABAG's 50th Anniversary

Strength of Nine: Emergence of a Regional Concept

When the Association of Bay Area Governments was formed in 1961, the concept of regional governance and partnerships that transcended city and county boundaries was new territory. Multiple state and federal mandates and agency formations that started to occur in the late fifties made many Bay Area elected leaders uneasy about metropolitan authority over land use and transportation. Berkeley Mayor Claude B. Hutchinson convened a meeting of Bay Area Mayors in 1958 and Pacifica Mayor Jean Fassler brought together other electeds in San Mateo County. Out of these and many other meetings about city opposition to unmanaged metropolitan authority, an alternative voluntary metropolitan council emerged.



Berkeley Councilmember and UCB planning professor Jack Kent, with assistance from City Managers John Phillips (Berkeley) and Wes McClure (San Leandro), and the League of California Cities, formulated a joint powers agreement that would require the approval of a majority of both cities and counties to execute. By January 24, 1961, 52 cities and six counties had signed on to "the permanent establishment of a forum for discussion and study of metropolitan area problems of mutual interest and concern of the cities and counties of the San Francisco Bay Area and for development of policy and action recommendations for the solutions of such problems." This metropolitan council concept became the Association of Bay Area Governments, making it the first council of government in California, just a few years behind similar efforts in Detroit (1954), Salem, Oregon, and Washington D.C. (both 1957).

Wilbur Smith, former San Rafael City Manager and Assistant Director of the National League of Cities, became ABAG's first Executive Director and Berkeley Mayor Claude Hutchison the first President. ABAG's first offices were rented basement spaces in the Claremont Hotel (legally in Oakland, postally in Berkeley) where the Institute for Local Self-Government (a joint LCC-CSAC venture now known as the Institute for local Government) and the League were already housed. When MTC was formed in 1971, MTC also set up its first offices there.

50th Anniversary 1961 - 2011 Association of Bay Area Governments

In its first decade, ABAG developed the first open space plan, an ocean coastline plan, an airport systems plan, and regional information systems and technology support. The agency also had specific goals related to air pollution and water quality control, bay conservation and development, and regional refuse disposal needs. These early efforts and analysis culminated in the Bay Area's first comprehensive "Regional Plan: 1970-1990" with its emphasis on city-centered growth. In 1971, ABAG was certified by HUD as the Bay Area's areawide planning organization, and

ABAG 50th cont. on page 8

In This Issue

ABAG Celebrates 50 Years Pg. 1, 8, 9 & 10
FOCUS...Land Use Pg. 2 & 3
Energy Upgrade Program Pg. 3
ABAG Welcomes Jim Hill Pg. 4
Public Engagement: Vital Leadership Seminar Pg. 4
Spring General Assembly Pg. 4
ABAG Historical Timeline by Decade Pg. 5, 6 & 7
Less Spray, Better Bay Pg. 11
Growing Smarter Together Awards Pg. 11
Calendar of Events Pg. 12
Notable Numbers Pg. 12

Service Matters is a publication of the Association of Bay Area Governments, the planning and services agency for the San Francisco Bay Area's nine cou

X.B.2.3

FOCUS: Locally Nominated and Regionally Adopted Land Use

In this 50th Anniversary edition of Service Matters, we celebrate ABAG's FOCUS Initiative. FOCUS was born in 2006 from the state's Blueprint Planning Program, a voluntary and competitive grant program for initiating or augmenting the land use planning efforts of Metropolitan Planning Organizations (MPOs) and Councils of Government (COGs). The Regional Blueprint Planning Program promoted development of a preferred growth scenario – or "blueprint" – to achieve specific objectives for a twenty-year planning horizon (through 2025), accomplished by consensus of regional leaders, local governments, and stakeholders.

City of Petaluma PDA

In the Bay Area, ABAG's long range Blueprint Planning Program is entitled FOCUS. The FOCUS Initiative encompasses a regional development and conservation strategy that promotes a more compact land use pattern for the Bay Area. It unites the efforts of four regional agencies into a single program that links land use and transportation by encouraging the development of complete, livable communities in areas served by transit, and promotes conservation of the region's most significant resource lands. FOCUS is led by the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC), with support from the Bay Area Air Quality Management District (BAAQMD) and the Bay Conservation and Development Commission (BCDC)—in partnership with congestion management agencies, transit providers, and local governments throughout the Bay Area.

Through FOCUS, regional agencies support local governments' land use planning commitments by working to direct existing and future incentives to Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs). PDAs are locally identified infill development opportunity areas near transit and PCAs are regionally significant open spaces for which there exists a broad consensus for long-term protection. These areas have been identified based on criteria that are consistent with the Bay Area's regional goals. $7.5 million has been made available to PDAs for Station Area Planning grants with $15 million in additional grants to be available over the next three years. MTC has increased its Transportation for Livable Communities program and has focused that program on planning in PDAs and funding capital improvement in PDAs.

FOCUS is about working together—regional agencies, local governments and communities collaborating to protect and improve the quality of life in the Bay Area. Local governments in the Bay Area are essential partners, since they are responsible for making decisions about land uses and future development in their communities. FOCUS has sought willing local government partners who share the goals of encouraging more compact development that offers a range of housing and transportation choices. FOCUS is also about building partnerships with local and regional stakeholder groups that represent affordable housing, economic development, transportation/mobility, the environment, and social equity.

FOCUS Evolving--Critical to SCS Next Steps

When the State of California passed its monumental Assembly Bill 32 (Global Warming Solutions Act) and later Senate Bill 375, Bay Area regional agencies knew that they were well positioned for the task of reducing greenhouse gas (GHG) emissions and identifying areas to house our population. Because of the FOCUS Initiative, Bay Area regional agencies and local jurisdictions had already made great strides and were well on their way along a sustainable path.

To date, more than 127 Priority Development Areas in 60 Bay Area jurisdictions and nearly 100 Priority Conservation Areas have been identified. Together, these areas comprise about 115,000 acres of urban and suburban land, less than five percent of the Bay Area's total land area. However, even though this is a small proportion of the region's land area, the proposed PDAs could accommodate over half of the Bay Area's projected housing growth to the year 2035, mostly at relatively moderate densities. The objective is the achievement of areas that are well planned with good housing choices, transit options, and walkable amenities and services to address the day-to-day needs of both current and future residents.

The FOCUS PDAs will constitute a major part of the foundation of the region's Sustainable Community Strategy (SCS) that identifies how we will achieve the region's GHG reduction targets and meet housing goals. Currently, ABAG is conducting an extensive analysis, working with Bay Area jurisdictions to ascertain how much growth can be

FOCUS cont. on page 3

Energy Upgrade Program Tackles Climate Change

The new Energy Upgrade California Program is a statewide collaborative designed to create a new industry and transform the market for energy efficiency retrofits to existing buildings. Energy Upgrade California is a collaboration of the California Energy Commission, the California Public Utilities

Commission, and utilities and municipalities throughout the state, including ABAG. Over 50,000 retrofits are anticipated statewide. Here in the Bay Area, the goals of the Energy Upgrade Program are to improve energy efficiency of 12,750 residential units, help property owners save money on their utility bills, develop a robust job market, reduce local greenhouse gas emissions, and create a pathway to GreenPoint Rated Existing Homes. ABAG has partnered with eight Bay Area counties and a team of public and private partners to implement this comprehensive community-residential building retrofit program in the Bay Area.

The Energy Upgrade Program for home energy-efficiency retrofits offers homeowner rebates and tax credits, contractor business expansion loans, green workforce training, and an expansive outreach campaign to attract participation. As part of the program, ABAG has developed a website, available at www.retrofit.abag.ca.gov. This collaborative website will allow local governments to share best practices and resources and serve as a place for homeowners and contractors to learn about the Energy Upgrade Program and to apply for assistance in their area. The program's call center is available at (510) 464-8484.

The Energy Upgrade Program is an important strategy for local jurisdictions because residential use is attributed to more than 20 percent of greenhouse gas emissions and directly relates to regional and local climate protection goals. Homes lose energy through air leaks, poor insulation, duct-system leaks, inefficient heating/cooling equipment, and old appliances and lighting. The Energy Upgrade Program offered through individual local government programs allows homeowners to make energy retrofits such as lighting and heating upgrades to their home at low to no cost. Through the program, homeowners are eligible for rebates and tax credits for home energy upgrades, as well as conduct energy audits and measure their home's carbon footprint. Specific program elements and homeowner eligibility vary by location. This kind of energy efficiency has been developed to help reduce the absorbent amount of greenhouse gas emissions attributed to homes, help homeowners save money on their home utility bills, and stimulate the economy with its services.

Residential Energy Efficiency in Action: (Sonoma County's Energy Efficiency Programs)

Sonoma County has been a leader in home energy efficiency program implementation. In Sonoma County, rebates include homeowner incentives of up to $3,500 for whole-house energy upgrades. Local water utilities offer a range of rebates for water conservation improvements such as high-efficiency clothes washers and toilets, and drought-tolerant landscaping and turf removal. The county's California Solar Initiative program provides incentives for installation of new solar electric systems. Federal tax credits are available for a range of energy upgrades including heating/cooling systems, appliances, and on-site solar systems. Sonoma County's Energy Independence Program has been providing property-tax assessment financing since March 2009. The program provides property-tax assessment financing for energy efficiency, solar, and water conservation projects. The county also offers the Mortgage Refinancing Program through the Federal Housing Administration with mortgages that provide additional funds for energy upgrades. Sonoma County's programs could be used as a model for what some of the other cities, towns, and counties may implement under the Energy Upgrade Program. To learn more about Sonoma County's program, visit http://sctainfo.org/efficient_build.htm#pilot_projects.

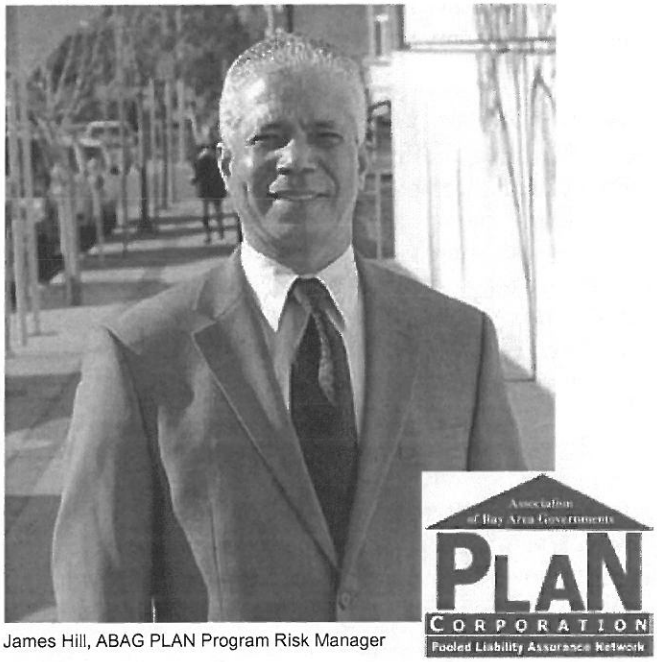
FOCUS cont. from page 2

accommodated in the PDAs. This analysis will form the bases for creation of the initial vision scenario, a major milestone in the development of Bay Area's SCS.

While the state funding that seeded the development of FOCUS has ended, our efforts continue to evolve and thrive as ABAG's innovative approach to achieve complete communities in our region and accommodate sufficient housing for natural population increases and workforce needs. Through FOCUS, local governments and regional agencies are making a difference in how our region grows and develops.

ABAG Welcomes James Hill as New Risk Manager

We are pleased to have James Hill join the ABAG team and the ABAG PLAN Program as Risk Manager. Hill has more than ten years of experience working with public entities structuring alternative Risk Management programs (pooling and self insurance). He has experience in budget planning and development, including analysis of JPA financial statements, experience in Municipal Risk



James Hill, ABAG PLAN Program Risk Manager

identification and Exposure Analysis (Public Liability). Hill also has a fundamental knowledge of claims operating systems and the claims administration process. He possesses excellent public and government relations skills. Before joining ABAG, Hill worked with Keenan and Associates in Oakland, which specializes in providing risk management services to public entities, including JPA management, commercial insurance brokerage services, and third party claims administration. He is a member of PARMA and has been a liaison to the League of California Cities and the Municipal Managers Association of Northern California.

Public Engagement: The Vital Leadership Skill in Difficult Times

From difficult land use and planning decisions to cash-strapped local budgets, local governments, special districts, and other agencies realize that engaging residents in difficult policy decisions has become more important than ever. To meet these challenges, a fast-moving and participatory half-day seminar is being offered by Pepperdine University's Davenport Institute for Public Engagement and Civic Leadership, at the Oakland Conference Center (Laurel Room, 7th Floor), 1100 Broadway, downtown Oakland, on Monday, February 28th, 8:30 a.m. – 12:30 p.m. Attendees will learn about the public engagement spectrum (from informing to involving); how purpose helps design the process; and how to ask the range of assessment questions needed before engaging the public, and

more. Led by Ed Everett, Senior Fellow, Civic Engagement Practice at the Davenport Institute, and Pete Peterson, Executive Director of the Davenport Institute at Pepperdine's School of Public Policy, the seminar will utilize a number of case studies and participatory small group exercises to instruct attendees in the basics of participatory leadership. City staff, elected officials, school district leaders, and county/regional officials and staff are invited to participate. The seminar is free, but pre-registration is needed to attend: **Register online at** https://store.abag.ca.gov/authorizenet/public.html.

ATTENTION

DATE and LOCATION CHANGE

ABAG Spring General Assembly and Business Meeting

April 14, 2011 • Oakland Marriott

Registration Information Available in March

Check our website: www.abag.ca.gov or call 510-464-7900 for more information

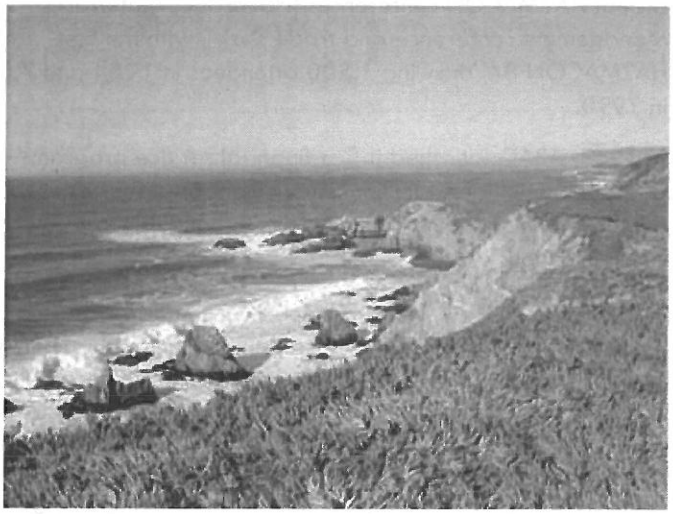
SPECIAL FEATURE

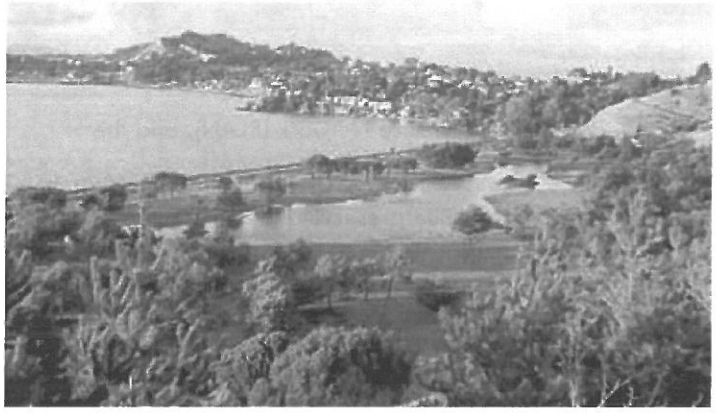
The Association of Bay Area Governments: Five Decades of History in the Bay Area

1960s

In the early 1960s, ABAG aimed to establish coordination and cooperation of Bay Area cities and counties for constructive and positive purposes for the Bay Area.

At the forefront in Bay Area planning and innovative work programs, ABAG in its first decade developed the first open space plan, an ocean coastline plan, an airport systems plan, Bay Area transportation study, and regional information systems and technology support which culminated in the Bay Area's first comprehensive "Regional Plan: 1970-1990" with its emphasis on city-centered growth.





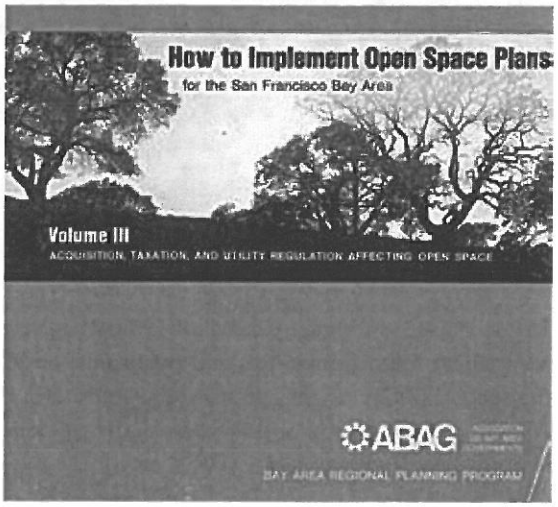
1970s

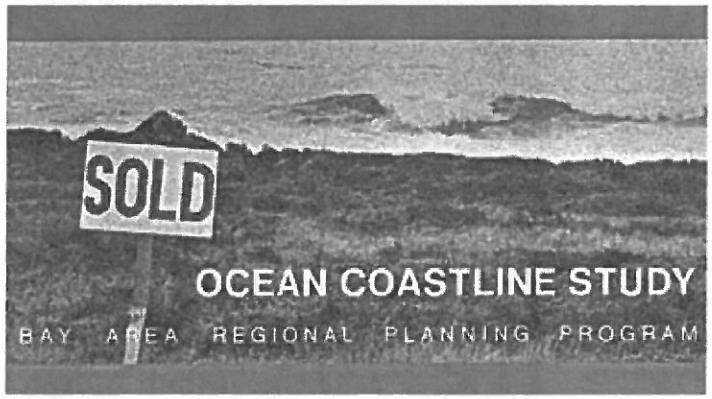
ABAG's attention to Bay Area environmental issues continues to grow. Toward the end of the decade, ABAG increases its focus on the region's economic future.

July 30, 1970: ABAG issues Regional Plan 1970-1990, the Bay Area's first comprehensive regional plan.

In 1971, ABAG is certified by HUD as the Bay Area's regionwide planning organization, and ABAG begins reviewing environmental impact statements for Federal and state-funded projects and Federal development projects. The number of projects reviewed by ABAG explodes, from 145 projects totaling $147 million in 1971 to 1,010 projects totaling $741 million in 1975.

In 1974, a system of review panels was created to access and analyze development proposal that potentially conflicted with ABAG's adopted regional plan. Through this system, the Regional Planning Committee and the Executive Board in a contentious and dramatic meeting effectively stopped development of a "premature and sloppily planned new town," called Las Positas, just outside of Livermore.





In the late 1970s, EPA and the State approved ABAG's groundbreaking, complex work program that combined air and water quality, water supply, and solid waste which created an Environmental Management Plan for the Bay Area.

1980s

In the 1980s, ABAG's environmental work and expertise in hazardous waste issues expands, increasing visibility through annual HAZMACON conferences (Hazardous Material Management conference and trade show), with the first HAZMACON 84, drawing 1,500 attendees in 1984 and 7,000 in 1990.

In 1983, ABAG launched it first financial service program—credit pooling. The initial $4 million issuance enabled four cities to purchase items ranging from vehicles to buildings to communications systems.

April 1986: The Bay/Delta Project, later the San Francisco Estuary Project and now the San Francisco Estuary Partnership, is initiated to establish plans for sensitive estuaries in the region.

1986: ABAG's 25th Anniversary celebrated at Spring General Assembly: Focus of GA, The Future: Is it what it used to be?" reflects the region's economic and environmental challenges and concerns.

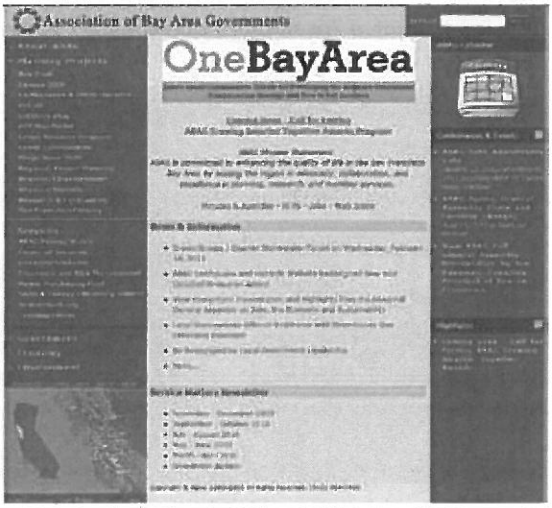
May 22, 1986: ABAG's Administrative Committee approves the new Pooled Liability Assurance Network (PLAN), and the Newark City Council votes to become PLAN's first charter member.

Jan. 1988: ABAG launches the BALANCE Foundation to address building the economy while preserving the environment.

1990s

ABAG's work on earthquake preparedness increases in the aftermath of the 1989 Loma Prieta earthquake issuing series of research reports, preparedness and hazard mitigation videos, accompanied by extensive outreach to public and private sectors.

ABAG increases its attention to how governments can benefit by improving technology, adding Internet and computer technology to its outreach methods and program development.

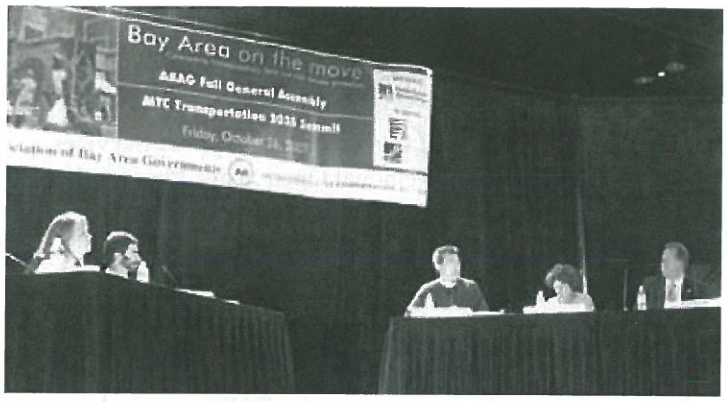


1994: ABAG is the first Council of Governments to offer documents (describing the organization and programs) on World Wide Web and the second public agency to do so in California. This began abagOnline, ABAG's online service, and the launch of specialized training on the Internet (HazMat School).

1995: ABAG's cost-effective member service programs now include energy management with the establishment of POWER.

1998: ABAG PLAN introduces a police in-car video loss prevention program.

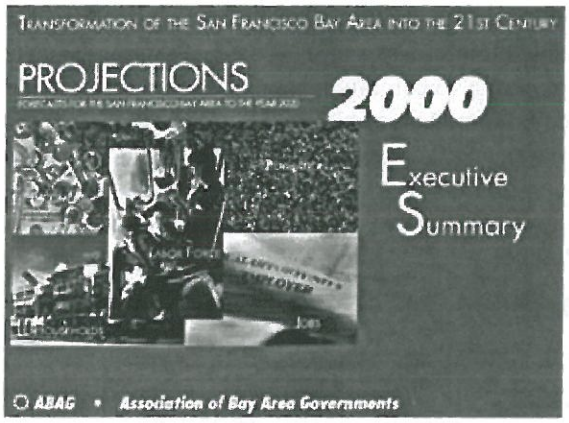
2000s



2000-2010
A decade of economic instability, state and local government budget concerns, rise and fall of housing value, smart growth strategic planning, and climate action challenges. Regional planning efforts focus on growth and sustainability; pollution prevention and environmental justice; housing needs and homelessness; natural hazards mitigation; and youth gun violence prevention.

2001: ABAG is first COG in the state to complete its Housing Needs Determination process, receiving a commendation and plaque from HCD. Receives an Ahwahnee Award of Merit from Local Government Commission for this same effort.

2001: 40th Anniversary celebrated at Spring General Assembly (April) with gala reception and dinner following. Spring General Assembly focus is " Incentives for Action: Growing within Our Boundaries," co-sponsored by ULI and HCD about ways to implement smart growth.



2002: Smart Growth Strategy/Regional Livability Footprint Project--series of 18 workshops conducted to create a regional vision, called the "Network of Neighborhoods—Shaping the Future of the Nine County Bay Area."

Green Business Program received the Governor's Environmental and Economic Leadership Award for leadership in sustainable practices, reaches milestone of certifying 2000 businesses and public agencies by 2009.

2003: Projections 2003 is released, updating long-term regional projections of population, employment and housing: becoming policy based reflecting a "smart growth" land use scenario and a more aggressive level of housing projection as identified in the Network of Neighborhoods.

2004: Milestone Partnership ABAG-MTC Joint Policy Committee: formally began meeting in June with Air District and BCDC joining later.

2005: ABAG and MTC develop a joint work program, continuing efforts to work even closer with the Air District and other regional agencies in partnerships to make progress in linking land use and transportation planning.

2005: ABAG PLAN Corporation celebrates 20 years of creating and sustaining risk management and insurance services for local governments: providing property and liability insurance to 32 cities and towns in the Bay Area.

2006: Growing Smarter Together Awards program instituted to feature local governments' efforts and best practices, spotlight individuals, programs, and projects that have built housing, promoted social equity and environmental justice, revitalizes their communities, and preserved and protected the environment.

2007: ABAG's San Francisco Estuary Partnership updates the Comprehensive Conservation and Management Plan involving over 80 representatives from all levels of government, business, academia and non-profits.

2008: Youth Gun Violence Task Force authorized.

2009: San Francisco Bay Trail celebrates 20th anniversary and completion of nearly 300 miles of trail.

50th Anniversary
Association of Bay Area Governments
1961 - 2011

2010: Implementation of SB 375 and development of a plan for regional Sustainable Communities Strategy to engage local government, communities and regionwide stakeholders in ways to build a better Bay area over the next 25 years.

ABAG 50th cont. from page 1

ABAG began reviewing environmental impact statements for Federal and state-funded projects and Federal development projects.

Planning and Model Local Government Support Services
In 1972, ABAG adopted a Regional Open Space Plan for the boldest open space system designed for any metropolitan area in the world with a target of 3.4 million acres of open

GOOD FOR NEXT 2 DECADES

ABAG Approve Regional Plan

ABAG Role Urged

Embarca

ABAG Backs Help

1970 ANNUAL REPORT

ASSOCIATION OF BAY AREA GOVERNMENTS

On Health

$1.3 Million For ABAG Operation

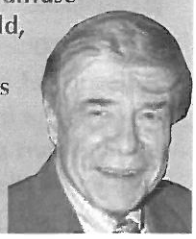
IGNAZIO A. VILLA

space. By the late 1970s, EPA and the State approved ABAG's groundbreaking, complex work program that combined air and water quality, water supply, and solid waste, which created an Environmental Management Plan for the Bay Area. This was the end result of the State Water Resources Control Board designating ABAG to take on 208 responsibilities relating to the problem of non-point source pollution, and EPA awarding ABAG a massive $4.3 million grant to carry out the work needed.

In 1974, a system of review panels was created to access and analyze development proposal that potentially conflicted with ABAG's adopted regional plan. Through this system, the Regional Planning Committee and the Executive Board in a contentious and dramatic meeting effectively stopped development of a "premature and sloppily planned new town," called Las Positas, just outside of Livermore. ABAG's reputation for being at the forefront in Bay Area planning and innovative work programs and problem solving was set and established a pattern of excellence that continues today.

"The history of ABAG is a picture of a large, diffuse group of people who in a very imperfect world, have managed to enjoy the good, surmount the bad, learn from both, move with the times and help to make this unique area something better than it otherwise would be."

Revan Tranter, ABAG Executive Director Emeritus



The Economy and the Environment
The 1980s reflect ABAG's focus on the region's economic future. The challenging regional issues encompassed stabilizing the imbalance of jobs and housing, financing economic development, and revitalizing depressed areas, on top of energy conservation. ABAG launched a series of innovative service programs to support local governments' efforts to meet these Bay Area challenges, creating its first financial service program—credit pooling (1983). The initial $4 million issuance enabled four cities to purchase items ranging from vehicles to buildings to communications systems. ABAG later added Pooled Exempt Adjustable Rate Leasing (PEARL) to its financial services and the Executive Board approved a worker's compensation program. In 1986, ABAG's Administrative Committee approved the new Pooled Liability Assurance Network (PLAN), which would provide risk management

Town of Ross, member of ABAG PLAN's pooled insurance

services to local government. Newark City Council voted to become PLAN's first charter member. ABAG also established the BALANCE Foundation to address building the economy while preserving the environment. In 1986, ABAG's 25th Anniversary and the economic and environmental challenges the region and local governments faced were marked at the Spring General Assembly with the theme "The Future: Is It What It Used to Be?"

ABAG's expanding environmental work and expertise in hazardous waste issues was demonstrated in the creation of its

ABAG 50th cont. on page 9

ABAG 50th cont. from page 8

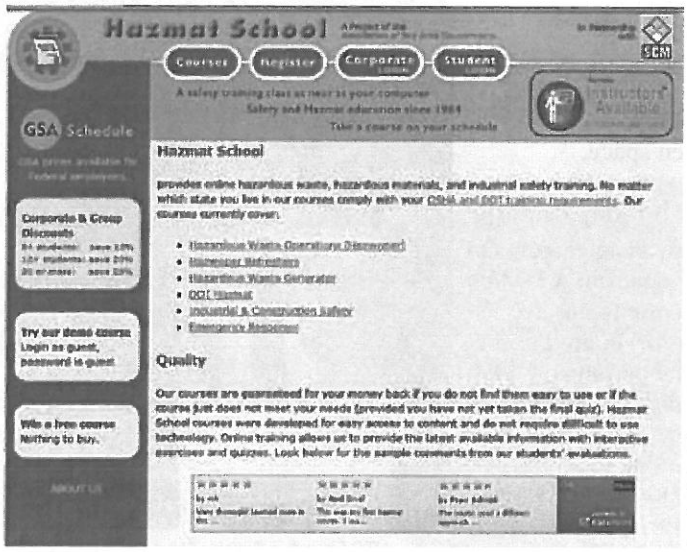
very successful annual HAZMACON conferences (Hazardous Material Management conference and trade show), which drew 1,500 attendees in the first HAZMACON 1984, and by 1990 was attracting more than 7,000. In April of 1986, ABAG's Bay/Delta Project, later the San Francisco Estuary Partnership, was initiated to establish plans for sensitive estuaries in the region.

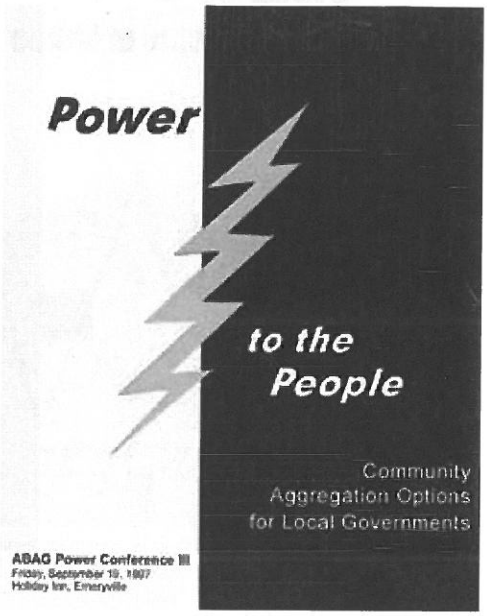
This decade also marked the relocation of ABAG to its new Oakland headquarters. On April 23, 1984, the MetroCenter, jointly built and owned by MTC, BART, and ABAG, was dedicated. In 1987, the MetroCenter was renamed the "Joseph P. Bort MetroCenter" in honor of long-time Bay Area politician and regionalist Joe Bort, who was a founding board member of ABAG and MTC.

Ground Breaking of MetroCenter

Technology, Going Green, and Hazard Mitigation

In the nineties, technology informed advances in ABAG planning and services. ABAG becomes the first Council of Governments to offer documents (describing the organization and programs) on "World Wide Web" and the second public agency to do so in California. abagOnline, ABAG's online service, began providing public agencies with WEB hosting, Internet access and assistance. ABAG's specialized Training Center moved beyond the "brick and mortar" classroom to the Internet-based HazMat School which has become a most successful national training site.



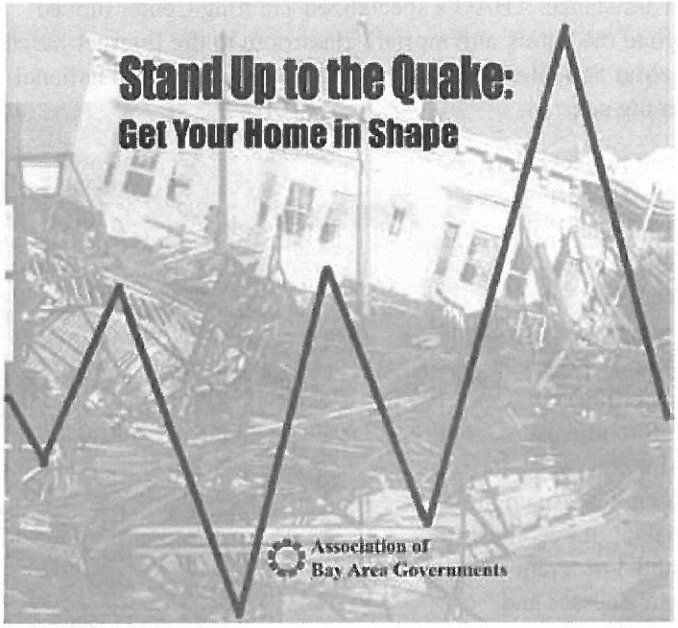


Green projects also became a part of ABAG's lexicon. The Bay Area Green Business Program, a voluntary program that certifies small to midsize businesses as "green," is launched in 1996. It becomes a model program for businesses and local government agencies to meet higher regulations for waste reduction, pollution prevention, and energy and water conservation. In 1999, ABAG POWER began providing renewable, or "green," energy to participating members in its electric program. By February 2000, ABAG POWER members had received a total of approximately $750,000 in rebate checks for using green power, granted by a State program encouraging the use of renewable energy. In 1997, the Bay Area Alliance for Sustainable Development is established as a multi-stakeholder coalition whose members represent economy, environment, social equity, and government.

During the nineties, ABAG's work on earthquake preparedness and hazard mitigation increased in the aftermath of the 1989 Loma Prieta earthquake. From ABAG's beginning, Bay Area earthquake research was a program focus that grew in the seventies and eighties to special reports on the earthquake liability issues of local government, business and industry. A regional information system on a variety of natural and man-made hazards, such as earthquakes, floods, and oil spills was also developed. In the 1990s, an even more extensive array of reports, analyses, and videos were published and distributed. These resources provide information on hazardous materials in earthquakes, the macro-economic effects of Loma Prieta, *Shaken Awake/* housing damage estimates, and reports on "how to ride out a quake, stand up to a quake, and prevent the nightmare"/hazard mitigation, and disaster impacts on transportation.

ABAG 50th cont. on page 10

ABAG 50th cont. from page 9



ABAG's Stand Up to the Quake VHS video was made available in multiple languages.

The first decade of the 21st century has been a period of economic instability, state and local government budget concerns, rise and fall of housing value, smart growth strategic planning, and climate action challenges. National issues that impacted Bay Area concerns have included the 2000 Presidential election and decision by Supreme Court; the terrorist tragedy of September 11th, numerous dot-com failures, California's electricity crisis and the bankruptcy of PG&E, the first recessions of the millennium, and the largest projected State deficit in history. As a result, many innovative and multi-prong programmatic efforts have been ABAG's regional planning response. Projects have focused on growth and sustainability—from *The Smart Growth Strategy/Regional Livability Footprint Project and its Network of Neighborhoods Final Report* to the groundbreaking FOCUS Initiative and the local and regional agency partnership for developing the region's Sustainable Communities Strategy.

Other programs and projects developed over the past ten years have addressed such issues as land use and open space, pollution prevention and environmental justice, housing needs and homelessness, economic prosperity and jobs-housing balance, natural hazards mitigation, youth gun violence prevention, the Bay Trail, and bay/estuary/water conservation. State and regional efforts to maintain ABAG as a vibrant and fiscally strong organization have also been a focus. June 2004 marked the beginning of the Partnership of ABAG-MTC Joint Policy Committee, which was formalized in legislation by State Senator Tom Torlakson into today's Joint Policy Committee (JPC). The JPC coordinates the regional planning efforts of ABAG, MTC, the Air District, and the Bay Conservation and Development Commission.

Gwen Regalia, ABAG President 2002-2003, showcases ABAG Blueprint Report 2001.

From the first comprehensive *1970-1990 Regional Plan* to the current groundbreaking collaborative development of the Bay Area's Sustainable Communities Strategy (SCS), ABAG's problem-solving approach to issues affecting the Bay Area has been driven by the Agency's commitment to advancing constructive and positive coordination and cooperation among Bay Area cities, towns, and counties to meet regionwide challenges. This legacy and history of commitment to building a better Bay Area is ABAG's platform for launching the next 50 years of service.

For more history and discussion of ABAG's history-making accomplishments and commitment, visit www.abag.ca.gov. On view is the special video, The Birth of Bay Area Regionalism: A History of Partnership, co-produced by ABAG and MTC to commemorate ABAG's 50th and MTC's 40th Anniversaries. This was premiered at the ABAG-MTC Anniversary Gala at the Claremont Hotel on January 21st. A special historical video retrospective of ABAG's 50 years will be posted in March with podcasts of in person interviews with ABAG's past leaders and decisionmakers. There you can also link to an insightful history of ABAG's first forty years written by Revan Tranter, UC Berkeley Visiting Scholar and ABAG's Executive Director Emeritus (1973-1995), entitled "ABAG—A Concise History."

MTC Executive Director Steve Heminger, and ABAG Executive Director Exra Rapport toast the 40th and 50th Anniversaries of each agency, before more than 300 elected officials, agency, and business leaders.

Less Spray, Better Bay

As part of its "Less Spray/Better Bay" multi-media campaign, the San Francisco Estuary Partnership has created and posted two new Estuary Report Video Podcasts on-line (http://www.sfestuary.org/podcast/TER-options.html). The new podcast, **Greener Pest Control,** features Estuary Partnership Communications Officer Athena Honore and EcoWise Certified Program Manager Ted Shapas talking about the importance of integrated pest management and offering tips for homeowners and building managers. To help keep San Francisco Bay healthy, the tips show how to eliminate or reduce pesticides by using Integrated Pest Management (IPM), which involves practicing good housekeeping, making physical changes to keep pests out, and using less or non-toxic pesticides. A key message featured is that chemical solutions are considered a last resort, and if used, need to be in the smallest possible and targeted amounts.

Athena Honore, San Francisco Estuary Partnership, holds a sample of Ant Control Pesticide.

'Tis the season for ant invasions! is the subject of the second new podcast, **Controlling Ants**, which features the latest reports on environmentally sound methods to deter ants from entering buildings. The importance of environmentally sound methods is stressed because many ant pesticides are so toxic that even tiny amounts sprayed in and around homes or commercial buildings can kill "these tiny critters at the base of the food chain" in creeks many miles downstream—and ultimately harm the fish in San Francisco Bay."

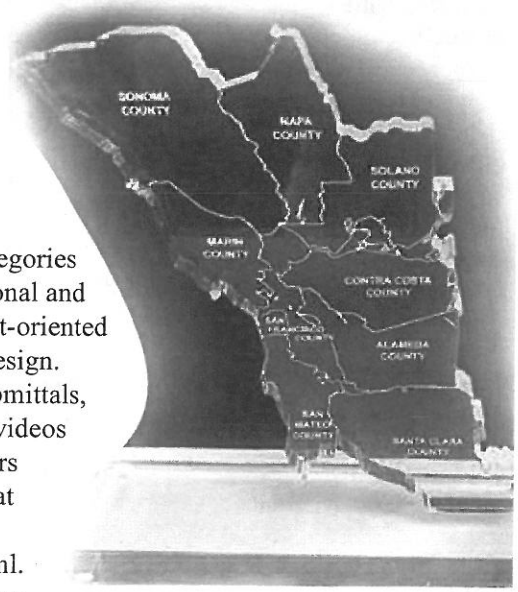
A new, downloadable fact sheet, "Healthy Building/Healthy Bay" has also been provided that illustrates simple, practical ways to make buildings healthier for workers, wildlife, and San Francisco Bay at http://www.sfestuary.org/pages/index.php?ID=7). Cities and counties are invited to use these video podcasts and other downloadable resources on their web sites by going to **http://www.sfestuary.org/podcast/** where they can also learn easy ways to use these resources.

ABAG's San Francisco Estuary Partnership is a coalition of resource agencies, non-profits, citizens, and scientists working to protect, restore, and enhance water quality and fish and wildlife habitat in and around the San Francisco Bay Delta Estuary. Working cooperatively, the Estuary Partnership shares information and resources that result in studies, projects, and programs that improve the Estuary, and communicate its value and needs to the public. ABAG's Estuary Partnership current strategic priorities center on promoting watershed stewardship, supporting climate change resiliency, serving as a resource for elected officials, decision makers, and the public in making decisions that benefit the Estuary, and developing green infrastructure leadership. ABAG is the home agency for Estuary Partnership staff and finances with the Partnership's offices located within the San Francisco Regional Water Quality Control Board offices in downtown Oakland.

Call for Entries for the Fifth Annual ABAG Growing Smarter Together Awards Program

Has your city or county been recognized yet? ABAG's Fifth Annual Growing Smarter Together Awards program will showcase the positive work being undertaken by cities, towns and counties in the Bay Area that advances smart growth principles.

Awards will be presented as part of the ABAG Spring General Assembly on April 14th.



The six award categories include both personal and program or project-oriented work and urban design. Guidelines for submittals, descriptions, and videos of previous winners are posted online at http://www.abag.ca.gov/smarter.html. **Submittals are due by 5 p.m. on Friday, March 4, 2011.**

Association of Bay Area Governments
P.O. Box 2050 • Oakland, CA 94604-2050
website: http://www.abag.ca.gov • e-mail: info@abag.ca.gov
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Mark Your Calendar!

February 2011

February 24
Sustainable Communities Strategy Housing Methodology Committee 10:00 am
BCDC, 50 California Street, Suite 2600
San Francisco

February 28
Public Engagement Training Workshop for Elected and Senior Officials 8:30 am
Oakland Conference Center,
1100 Broadway, Laurel Room, 2nd Floor

March 2011

March 1
Sustainable Communities Strategy Regional Advisory Working Group 9:30 am
MetroCenter Auditorium

March 3
FOCUS Forum: Building Communities Quality Housing for All Bay Area Residents 9:00 am
MetroCenter Room 171

March 15
Urban Pesticides Committee 9:00 am
MetroCenter Auditorium

March 17
Legislation & Governmental Organization Committee 3:30 pm
ABAG Conference Room B

Finance & Personnel Committee 5:00 pm
ABAG Conference Room B

Executive Board 7:00 pm
MetroCenter, Auditorium

March 18
ABAG/BAAQMD/MTC Joint Policy Committee 10:00 am
MetroCenter, Auditorium

March 24
Sustainable Communities Strategy Housing Methodology Committee 10:00 am
BCDC, 50 California Street,
Suite 2600, San Francisco

March 25
Regional Airport Planning Committee 9:30 am
MetroCenter, Auditorium

ABAG Spring General Assembly and Business Meeting

April 14, 2011
Oakland Marriott

Registration Information Available in March

Notable Numbers

Milestones from 1961-2010

1961: ABAG becomes the first Council of Governments established in California and one of the first in the nation.

1972: ABAG adopts a Regional Open Space Plan for the boldest open space system designed for any metropolitan area in the world with a target of 3.4 million acres of open space.

1986: The Bay/Delta Project, later the San Francisco Estuary Partnership, is initiated to establish plans for sensitive estuaries in the region.

1994: ABAG is the first Council of Governments on World Wide Web (online) and the second public agency to establish a web presence in California.

2002: Smart Growth Vision called *the Network of Neighborhoods Final Report*: Smart Growth Strategy/Regional Livability Footprint Project—Shaping the Future of the Nine County Bay Area is developed after 18 region-wide workshops and distilled from a large number of land use scenarios and extensive community engagement.

2008: ABAG Energy Watch program enrolls 70 cities, counties and special districts to help them achieve energy and cost savings by improving energy efficiency in public facilities.

2009: ABAG celebrates San Francisco Bay Trail's 20th anniversary and the completion of nearly 300 miles of walking and biking trails surrounding the Bay.

2010: ABAG in partnership with regional agencies begins implementing SB 375 and developing a plan for regional Sustainable Communities Strategy to engage local government, communities and regionwide stakeholders in ways to build a better Bay area over the next 25 years.

Mark Green
ABAG President
Mayor, Union City

Susan L. Adams
ABAG Vice President

Rose Jacobs Gibson
ABAG Immediate Past President
Supervisor, San Mateo County

Ezra Rapport
Secretary/Treasurer
Executive Director

Patricia M. Jones
Managing Editor

Kathleen Cha
Editor/Writer

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Writer

Vicki Rutherford - Design and Production

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X.B.2.14

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

ABAG

AGENDA

GENERAL ASSEMBLY BUSINESS MEETING
12:15 P.M., Thursday, April 14, 2011
Oakland Marriott City Center
1001 Broadway
Oakland, California

		Status
1.	**CALL TO ORDER**	
2.	**CONFIRMATION OF QUORUM**	
3.	**PUBLIC COMMENT**	
4.	**APPROVAL OF SUMMARY MINUTES**** April 22, 2010, General Assembly Business Meeting	Action
5.	**PRESIDENT'S REPORT**	
6.	**PROPOSED ANNUAL BUDGET AND WORK PLAN**** Fiscal Year 2011-2012 Including Member Dues	Action
7.	**ANNOUNCEMENTS**	
8.	**ADJOURNMENT**	

Ezra Rapport, Secretary-Treasurer

**Attachment included.

Mailing Address: P.O. Box 2050 Oakland, California 94604-2050 (510) 464-7900 Fax: (510) 464-7970 info@abag.ca.gov
Location: Joseph P. Bort MetroCenter 101 Eighth Street Oakland, California 94607-4756

X.B.2.16

SUMMARY MINUTES (DRAFT)

ABAG General Assembly
Business Meeting, April 22, 2010
Oakland Marriott City Center
Oakland, CA

1. CALL TO ORDER

The meeting was called to order by President Mark Green at 12:15 p.m.

2. CONFIRMATION OF QUORUM

Ken Moy, Legal Counsel, and Fred Castro, Clerk of the Board, reported that quorum was present.

County Delegates and Alternates Present	Jurisdiction
Supervisor Scott Haggerty	County of Alameda
Supervisor Federal Glover	County of Contra Costa
Supervisor Susan L. Adams	County of Marin
Supervisor Mark Luce	County of Napa
Supervisor John Avalos	County of San Francisco
Supervisor Rose Jacobs Gibson	County of San Mateo
Supervisor Ken Yeager	County of Santa Clara
Supervisor Barbara Kondylis	County of Solano

City/Town Delegates and Alternates Present	Jurisdiction
Councilmember Marie Gilmore	City of Alameda
Councilmember Marge Atkinson	City of Albany
Councilmember Don Callison	City of American Canyon
Vice Mayor Mary Rocha	City of Antioch
City Manager George Rodericks	City of Belvedere
Mayor Elizabeth Patterson	City of Benicia
Councilmember Laurie Capitelli	City of Berkeley
Mayor Bob Taylor	City of Brentwood
Mayor Jack Gingles	City of Calistoga
Councilmember Julie Pierce	City of Clayton
Mayor Guy Bjerke	City of Concord
Councilmember Mark Landman	City of Cotati
Vice Mayor Gilbert Wong	City of Cupertino
Councilmember Dane Besneatte	City of Dixon
Councilmember Don Biddle	City of Dublin
Mayor Janet Abelson	City of El Cerrito
Councilmember Ruth Atkin	City of Emeryville
Councilmember Harry Price	City of Fairfield
Vice Mayor Linda Koelling	City of Foster City
Councilmember Suzanne Chan	City of Fremont
Councilmember Peter Arellano	City of Gilroy
Councilmember Joanne Ward	City of Hercules
Mayor Christine Krolik	City of Hillsborough
Councilmember Carol Federighi	City of Lafayette

Councilmember Len Rifkind	City of Larkspur
Mayor Marshall Kamena	City of Livermore
Mayor David Casas	City of Los Altos
Mayor Richard Cline	City of Menlo Park
Mayor Stephanie Moulton Peters	City of Mill Valley
Councilmember Nadia Holober	City of Millbrae
Councilmember Curtis Wright	City of Monte Sereno
City Manager Edward Tewes	City of Morgan Hill
Mayor Ronit Bryant	City of Mountain View
Councilmember Luis Freitas	City of Newark
Councilmember Nancy Nadel	City of Oakland
Councilmember Amy Worth	City of Orinda
Councilmember Greg Sharff	City of Palo Alto
City Manager Geoffrey Grote	City of Piedmont
Councilmember Tim Banuelos	City of Pinole
Mayor Jennifer Hosterman	City of Pleasanton
Councilmember Barbara Pierce	City of Redwood City
Councilmember Jim Rogers	City of Richmond
Councilmember Jake Mackenzie	City of Rohnert Park
Vice Mayor Rico Medina	City of San Bruno
Councilmember Ash Kalra	City of San Jose
Councilmember Ursula Reed	City of San Leandro
Councilmember Robert Ross	City of San Mateo
Councilmember Greg Brockbank	City of San Rafael
Councilmember Dave Hudson	City of San Ramon
Councilmember Jamie Matthews	City of Santa Clara
Mayor Susan Gorin	City of Santa Rosa
Councilmember Laurie Gallian	City of Sonoma
Councilmember Richard Garbarino, Sr.	City of South San Francisco
Councilmember Manuel Fernandez	City of Union City
Councilmember Erin Hannigan	City of Vallejo
Councilmember Bob Simmons	City of Walnut Creek
Councilmember Elizabeth Lewis	Town of Atherton
Councilmember Joseph Silva	Town of Colma
Mayor Carla Condon	Town of Corte Madera
Councilmember Robert Storer	Town of Danville
Councilmember David Weinsoff	Town of Fairfax
Councilmember Howard Harpham	Town of Moraga
Mayor Sam Salmon	Town of Windsor
Vice Mayor John Dunbar	Town of Yountville

County Delegates Absent	**Jurisdiction**
Supervisor Mark Kerns	County of Sonoma

City/Town Delegates Absent	**Jurisdiction**
Councilmember David Braunstein	City of Belmont
Councilmember Sepi Richardson	City of Brisbane
Mayor Cathy Baylock	City of Burlingame
Councilmember Daniel Furtado	City of Campbell
Councilmember Gus Wolter	City of Cloverdale
Vice Mayor Carol Klatt	City of Daly City

Vacant	City of East Palo Alto
Vacant	City of Half Moon Bay
Councilmember Francisco Zermeno	City of Hayward
Vice Mayor Jim Wood	City of Healdsburg
Vice Mayor Joe Pirzynski	City of Los Gatos
Councilmember Lara DeLaney	City of Martinez
Vice Mayor Peter McHugh	City of Milpitas
Mayor Jill Techel	City of Napa
Mayor Pro Tem Carole Dillon-Knutson	City of Novato
Councilmember Bruce Conelley	City of Oakley
Councilmember Jim Vreeland	City of Pacifica
Mayor Pam Torliatt	City of Petaluma
Mayor Salvatore Evola	City of Pittsburgh
Mayor Karen Mitchoff	City of Pleasant Hill
Councilmember Jack Krebs	City of Rio Vista
Councilmember Omar Ahmad	City of San Carlos
Intergov. Dir. Nancy Kirshner Rodriguez	City of San Francisco
Councilmember Paul Morris	City of San Pablo
Mayor Kathleen King	City of Saratoga
Vice Mayor Linda Pheifer	City of Sausalito
Mayor Sarah Glade Gurney	City of Sebastopol
Vacant	City of St. Helena
Councilmember Mike Segala	City of Suisun City
Councilmember Anthony Spitaleri	City of Sunnyvale
Vice Mayor Curtis Hunt	City of Vacaville
Mayor Dean Warshawsky	Town of Los Altos Hills
Mayor Steve Toben	Town of Portola Valley
Vacant	Town of Ross
Vacant	Town of San Anselmo
Councilmember Jim Fraser	Town of Tiburon
Councilmember David Tanner	Town of Woodside

3. PUBLIC COMMENT

There were no public comments.

4. APPROVAL OF SUMMARY MINUTES, April 23, 2009, General Assembly Business Meeting*

President Green recognized a motion by Barbara Kondylis, Supervisor, County of Solano, and a second by Susan Adams, Supervisor, County of Marin, to approve the minutes of the General Assembly Business Meeting of April 23, 2009. The county motion passed unanimously.

President Green recognized a motion by Jennifer Hosterman, Mayor, City of Pleasanton, and a second by Julie Pierce, Councilmember, City of Clayton, to approve the minutes of the General Assembly Business Meeting of April 23, 2009. The cities motion passed unanimously.

5. PRESIDENT'S REPORT

President Green stated he was pleased to serve as ABAG President for the next two years and looked forward to working with members.

He reported that he has begun making the rounds of Mayors and Councilmembers Associations throughout the region and expects to have the region covered by June.

He asked members interested in getting more involved in ABAG committees to contact him or staff.

He announced that 2011 marks ABAG's fiftieth anniversary and that we will look for ways to recognize ABAG's accomplishments over the last 50 years.

6. PROPOSED ANNUAL BUDGET AND WORK PLAN – Fiscal Year 2010-2011*

President Green recognized Executive Director Henry Gardner who presented a summary of the Annual Budget and Work Program for fiscal year 2010-2011, which including member dues.

President Green recognized a motion by Barbara Kondylis, Supervisor, County of Solano, and a second by Susan Adams, Supervisor, County of Marin, to approve the Annual Budget and Work Plan for Fiscal Year 2010-2011, including member dues. The county motion passed unanimously.

President Green recognized a motion by Harry Price, Mayor, City of Fairfield, and a second by Jack Gingles, Mayor, City of Calistoga, to approve the Annual Budget and Work Plan for Fiscal Year 2010-2011, including member dues. The cities motion passed, but with two nay votes.

7. ANNOUNCEMENTS

There were no other announcements.

8. ADJOURNMENT

Meeting adjourned at about 12:30 PM.

Henry L. Gardner

Henry L. Gardner, Secretary-Treasurer

* Indicates attachments.

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 9, 2011

TO : Vice Mayor Schwartzman
Council Member Campbell

FROM : Finance Director

SUBJECT : **FINANCE, AUDIT AND BUDGET COMMITTEE**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The FAB committee held a meeting on February 25, 2011, however, the minutes from that meeting are not available at this time. I am attaching the Agenda for the meeting of February 25th and the minutes from the meeting of February 3rd.

Attachment:
- Agenda from February 25, 2011
- Minutes from February 3, 2011

X.B.3.2

FINANCE, AUDIT AND BUDGET COMMITTEE
REGULAR MEETING AGENDA
COMMISSION ROOM
FEBRUARY 25, 2011 – 8A.M.

1. **Call to Order**
   a. **Introduction of New Board Member**
      Chris Carvalho was appointed by the City Council on February 15th. I am attaching a copy of his application.

2. **Notice to the Public**

3. **Approval of Agenda**

4. **Approval of Minutes from the meeting held on January 6, 2011 and February 3, 2011.**

5. **Review Long Range Calendar ***Revised Schedule*****
   Monthly review of future FAB Agenda topics.
   Recommendation: Provide suggestions and timing of future Agenda topics

6. **Follow-up on the Mission, Duty and Structure Policy**
   A brief follow-up to review changes and the schedule for Council review. The City Manager will attend.
   Recommendation: Review and comment.

7. **Review Monthly Financial Report for January 31, 2011**
   The FAB requested monthly financial reports that include the most recent warrant register postings. The agenda packet will include the General Fund report only but an Excel Spreadsheet of all funds will be distributed to the committee via email.
   Recommendation: Review Monthly Financial Reports

8. **Previous Month Warrant Register Review for January 2011**
   A monthly audit of payments to vendors that supply services to the City of Benicia. Members of the FAB committee review the warrant register and request that further information be provided by staff as necessary.
   Recommendation: Approve Warrant Registers

9. **Public Comment**

10. **Adjournment**

****Special Note: The review of the Audited Financial Statements is delayed at the Auditor's request. The special independent review of their auditing procedures has not been completed yet. The report should be ready in early March, 2011.*****

Public Participation

The Benicia Finance, Audit and Budget Committee welcomes public participation.

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is not on the agency's agenda for that meeting. The Finance, Audit and Budget Committee allows speakers to speak on non-agendized matters under public comment, and on agendized items at the time the agenda item is addressed at the meeting. Comments are limited to no more than 5 minutes per speaker. By law, no action may be taken on any item raised during the public comment period although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the Finance, Audit and Budget Committee.

Should you have material you wish to enter into the record, please submit it to the Finance Director.

Disabled Access

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact the Human Resources Department, the ADA Coordinator, at (707) 746-4211. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting Procedures

All items listed on this agenda are for Committee discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the Audit and Finance Committee.

Pursuant to Government Code Section 65009, if you challenge a decision of the Finance, Audit and Budget Committee in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Finance, Audit and Budget Committee at, or prior to, the public hearing. You may also be limited by the ninety (90) day statue of limitations in which to challenge in court certain administrative decisions and orders (Code of Civil Procedure 1094.6) to file and serve a petition for administrative writ of mandate challenging any final City decisions regarding planning or zoning.

The decision of the Finance, Audit and Budget Committee is final as of the date of its decision unless judicial review is initiated pursuant to California Code of Civil Procedures Section 1094.5. Any such petition for judicial review is subject to the provisions of California Code of Civil Procedure Section 1094.6.

FINANCE, AUDIT AND BUDGET COMMITTEE
REGULAR MEETING AGENDA
COMMISSION ROOM
FEBRUARY 3, 2011 - 6:00PM

1. **Call to Order at 6:00 p.m.**
   Attended by Committee Chair Dennis Lowry, Board Members: Michael Clark, Larry Grossman, Lee Wines; Council Members: Tom Campbell, Alan Schwartzman; City Treasurer Teri Davena. Staff present: Finance Director Robert Sousa. Members of the public present – JB Davis, Rick Ernst.

2. **Notice to the Public**

3. **Approval of Agenda**
   Approved by consensus.

4. **Approval of Minutes from the meeting held on January 6, 2011.**
   Chair Lowry recommend changes to the minutes. The Amended Minutes are attached for review. Approved by consensus.

5. **Review Long Range Calendar AND *REVISED* 2011 MEETING CALENDAR**
   Monthly review of future FAB Agenda topics. The Committee is recommending shifting back to the 4th Friday of each month due to the lack of attendance from the Public. The Council was advised on February 15, 2011. Approved by consensus.

6. **Review Monthly Financial Report for December 31, 2010**
   The committee spent the majority of the meeting discussing the budgeting process for revenues and expenditures in order to improve the analysis process used to assess the current status of the budget. The Chair recommended assigning collection and disbursement timing factors to assist in the process. The committee then reviewed most of the key revenue items and the Finance Director indicated whether the item was collected monthly, quarterly, semi-annually, annually, or something otherwise.

   The Chair also reviewed his comments provided in writing to the committee relating to the status of key revenue and expenditure items. The Finance Director also provided a response to the Chair's list to the committee and the differences were noted and discussed. Some of the items noted by the Chair were explained by the issue of timing, especially those tied to semi-annual or annual receipts or payments. The Chair and Finance director will continue to focus on developing a functional general ledger and budget review process that will lend itself to monthly analysis.

   The Chair commented that budget adjustment done on a monthly basis do not allow for accurate tracking of a divisions costs. The Finance Director indicated that monthly adjustments improve a division's ability to finish the fiscal cycle within their budget allocation.

   During the comparison of the Chair's analysis and the Finance Director's response, the Chair commented that Health and Retirement Costs were outside of the budget ranges in many divisions. The Finance Director commented that health insurance is more difficult to track due to changing enrollments during the year. He indicated that a full salary and benefit adjustment would be input in January, following the completion of all negotiations.

Member Wines recommended that a Mark-to-Market Account Number be used to help in analyzing the Investment Earnings account. This was made difficult at the end of last year when a $200,000-plus Mark-to-Market adjustment was made. The Finance Director agreed that it would help in reviewing Investment Earnings.

7. **Previous Month Warrant Register Review for December 31, 2010**

   A monthly audit of payments to vendors that supply services to the City of Benicia. Members of the FAB committee review the warrant register and request that further information be provided by staff as necessary.

   Member Wines questioned the Street Sweeping amounts, the Jack Wolf contract, the Transit payment to MV and the payments to the Community Center contractor. The Finance Director explained each of the amounts and the Warrants were approved by consensus.

8. **Public Comment**

   Rick Ernst made some statements about employee compensation. He made a statement regarding Employee Longevity that was corrected by the Finance Director. Basically, certain employees, other than police and fire, receive an increase of 1.25% in monthly pay for every 5 years of service.

9. **Adjournment at 8:20 p.m.**

Public Participation

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In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact the Human Resources Department, the ADA Coordinator, at (707) 746-4211. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting Procedures

All items listed on this agenda are for Committee discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the Audit and Finance Committee.

Pursuant to Government Code Section 65009, if you challenge a decision of the Finance, Audit and Budget Committee in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Finance, Audit and Budget Committee at, or prior to, the public hearing. You may also be limited by the ninety (90) day statue of limitations in which to challenge in court certain administrative decisions and orders (Code of Civil Procedure 1094.6) to file and serve a petition for administrative writ of mandate challenging any final City decisions regarding planning or zoning.

The decision of the Finance, Audit and Budget Committee is final as of the date of its decision unless judicial review is initiated pursuant to California Code of Civil Procedures Section 1094.5. Any such petition for judicial review is subject to the provisions of California Code of Civil Procedure Section 1094.6.

X.B.3.8

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Mayor Patterson
Vice Mayor Schwartzman

FROM : City Manager

SUBJECT : **LEAGUE OF CALIFORNIA CITIES**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

The North Bay Division General Membership meeting will be hosted by the City of Novato on Thursday, April 28, 2011. Currently there is no agenda or minutes from the previous meeting available.

X.B.4.2

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Council Member Ioakimedes
Council Member Hughes

FROM : City Manager

SUBJECT : **CITY COUNCIL/SCHOOL BOARD LIAISON COMMITTEE**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

This committee meets quarterly in the Benicia Unified School District meeting room. A special meeting was held on February 22, 2011 and the minutes from that meeting are attached. On March 10, 2011 a regular meeting of the School Board was held, the agenda from that meeting is attached, the minutes from that meeting are not currently available.

The next regular meeting is scheduled for Thursday, June 23, 2011 and the agenda is not yet available.

X.B.5.2

BENICIA UNIFIED SCHOOL DISTRICT
GOVERNING BOARD
BENICIA UNIFIED SCHOOL DISTRICT BOARD ROOM
350 EAST K STREET
BENICIA, CA. 94510

CALL TO ORDER:
President Stewart called the special meeting to order on Tuesday February 22, 2011 at 6:02 p.m.

ROLL CALL:
Present:

Andre Stewart, President
Dana Dean, Clerk
Rosie Switzer, Trustee
Bonnie Weidel, Trustee
Steve Messina, Trustee

Janice Adams, Superintendent
Tim Rahill, Chief Business Official
Mike Bowers, Human Resources Interim

OPEN SESSION:
President Stewart called the meeting to order in Open Session at 6:02 p.m.

PLEDGE OF ALLEGIANCE:
Ms. Barbara Sanders led the Pledge of Allegiance.

APPROVAL OF AGENDA:
It was motioned by Trustee Messina, seconded by Trustee Dean, to approve the Agenda as presented. The motion was carried by the following vote:

Board Members:
AYES: Switzer, Weidel, Dean, Messina and President Stewart
NOES:
ABSENT:

BUDGET WORKSHOP –(NO ACTION REQUIRED)
Superintendent Adams opened the meeting with a reading of the district goals. She also suggested that the board consider what is most important to us as a district. Tim Rahill,

CBO, stated that we are currently operating at a $1.9M deficit. Depending on the June elections, we will either need to cut $1.9M or $3.5M. Trustee Messina asked that we look at the budget by deciding what things we absolutely must have and then cut away those that are not on that list. Trustee Switzer suggested restructuring some jobs that we currently have to allow a cost savings. President Stewart would like the district to look at cuts away from staff. There was discussion about class size at the secondary level and scheduling the classes more tightly and increasing class size at the elementary level. The Trustees discussed other cost saving ideas. Trustee Messina asked about contracting out more services as a cost savings. There was discussion about just cutting 1-10% across the board and what that would look like. President Stewart suggested looking at revenue instead of cuts.

Follow Up:

The trustees asked staff to come back with two lists of proposed cuts, one at $1.9M and one at $3.5M. These lists would be considered at the next board meeting. Trustee Messina also recommended that we look at the projected enrollments, and class size, and how much staff we will need. Trustees Dean and Weidel would like to see what it would look like to cut 10% across the board.

COMMENTS FROM MEMBERS OF THE PUBLIC:

1. David Cary – Mr. Cary suggested a Charter School as a cost saving measure. He also asked about the Mills School Facility.
2. David Palmer – Mr. Palmer asked the board if they were going to cut from the top down or the bottom up?
3. Deb Casey – Ms. Casey explained that the Middle School scheduled classes very tightly this year and after going over in several classes had to add an additional teacher and then spread the students out over all the classes making the class sizes smaller.
4. Carleen Maselli – Ms. Maselli echoed what Ms. Casey said but explained that it happened at the High School as well. She also reminded the board that only a certain number of desks fit into a classroom.

ADJOURNMENT:

The meeting was adjourned at 8:15 p.m.

RESPECTFULLY SUBMITTED:

_____ _____

Clerk Secretary

AGENDA

BENICIA UNIFIED SCHOOL DISTRICT
GOVERNING BOARD
Notice of Regular Meeting
March 10, 2011
6:00 Closed Session
7:00 Open Session
District Office Board Room
350 East K Street
Benicia, CA 94510

1. **CALL TO ORDER – 6:00 p.m.**

2. **ROLL CALL**
Rosie Switzer, President
Andre Stewart, Clerk
Bonnie Weidel, Trustee
Dana Dean, Trustee
Steve Messina, Trustee

3. **PUBLIC COMMENT ON CLOSED SESSION ITEMS**

4. **CLOSED SESSION – 6:00 P.M.**
   a) Public Employment / Action / Appointment
   The Governing Board will discuss personnel matters and review the Personnel Action List, prior to taking public action under the Consent Calendar of the agenda. A summary sheet of positions under consideration is attached.
   b) Conference Regarding Labor Negotiation
   The Governing Board will discuss labor negotiations with employee organizations and unrepresented employees.

5. **OPEN SESSION – 7:00 P.M.**

6. **PLEDGE OF ALLEGIANCE**

7. **APPROVAL OF AGENDA**

8. **HIGHLIGHT –** Jay Speck, Solano County Superintendent of Schools

9. **REPORTS** – 7:15 **(NO ACTION REQUIRED)**
   a) Student Reports
   b) Superintendent Report

X.B.5.5

10. COMMENTS FROM MEMBERS OF THE PUBLIC – 7:30

BUSD Governing Board Meetings are recorded per Government Code Sections 54953.5 and 54953.6 and Education Code Section 72121(a). Recordings shall be subject to inspection by members of the public in accordance with the California Public Records Act, Government Code Section 625. Members of the public may address the Board on any item within the Board's jurisdiction. Cards which may be completed requesting to address the Board are available at the back table and should be submitted to the Board Secretary at the meeting. Pursuant to the Brown Act, each public agency must provide the public with opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is on the agency's agenda for that meeting. The Governing Board allows speakers to speak on agendized and non-agendized matters under public comment. Comments are limited to no more than three minutes per speaker. By law, no action may be taken on any item raised during the public comment periods and matters may be referred to staff for placement on a future agenda of the Governing Board.

11. NON-ACTION ITEMS – 8:00

Maintenance and Operations

a) Deferred Maintenance 5 Year Plan

Janice Adams, Superintendent, will present the Deferred Maintenance Five Year Plan.

Human Resources

b) Disclosure of the California School Employees Association, Chapter 1096 Proposal for 2010-11 Negotiations with Benicia Unified School District

The collective bargaining agreement between the Benicia Unified School District and the California School Employees Association, Chapter #1096 expires in June 2011. Scott Price, CSEA Chapter #1096 president and bargaining chairperson, will publically sunshine the Association's proposal for a successor agreement to the Board and the public.

Public Comment

c) Disclosure of the Benicia Unified School District Proposal for 2010-11 Negotiations with California School Employees Association, Chapter #1096

The collective bargaining agreement between the Benicia Unified School District and the California School Employees Association, Chapter #1096 expires in June 2011. Mike Bowers, Interim Assistant Superintendent Human Resources, will publically sunshine the Benicia Unified School District's proposal for a successor agreement to the Board and the public.

Public Comment

d) Disclosure of the Benicia Teachers Association Proposal for 2010-11 Negotiations with Benicia Unified School District

Representatives of Benicia Teachers Association will publically sunshine the Association's 2010-11 negotiations proposal to the Board and the public.

Public Comment

e) Disclosure of the Benicia Unified School District Proposal for 2010-11 Negotiations with the Benicia Teacher's Association

Mike Bowers, Interim Assistant Superintendent Human Resources, will sunshine the Benicia Unified School District's proposal for 2010-11 negotiations with the Benicia Teachers Association and to the public.

Public Comment

12. CONSENT CALENDAR – 8:15 ACTION ITEMS

All matters listed under the Consent Calendar are considered by the Board to be routine and will be approved by the Board in one motion. There will be no discussion on these items unless members of the Board, staff or public request specific items be pulled and discussed.

Superintendent

a) Minutes for the Meetings of:
   1. Regular Meeting March 3, 2011

b) Acceptance of Gifts to the District – None at this time

c) Approval of Overnight/Out of State Field Trips – None at this time

Human Resources

d) Approval of the Personnel Action List

Recommendation: Approve the Consent Calendar.

13. NON-CONSENT ACTION ITEMS – 8:20

Superintendent

a) Consideration and Approval of the Second Reading and Approval of Policies

1. BP/ AR 5117, Interdistrict Attendance
2. BP 1330, Use of School Facilities

PUBLIC COMMENT

Recommendation: Approve the Policies, BP/AR 5117 and BP 1330 as presented.

Business Office

b) Consideration and Approval of the Selection of Independent Audit Firm for 2010-11 through 2012-13

Tim Rahill, Chief Business Official, will ask the governing board to approve the selection of the independent audit firm for 2010-11 through 2012-13.

PUBLIC COMMENT

Recommendation: Approve the Selection of the Independent Audit Firm for 2010-11 through 2012-13

c) Consideration and Approval of the 2010/11 Second Interim Report

Tim Rahill, Chief Business Official, will ask the governing board to approve the 2010/11 Second Interim Report.

PUBLIC COMMENT

Recommendation: Approve the 2010/11 Second Interim Report.

Human Resources

d) Consideration and Approval of Res. No. 10-11-17, Reduce the Number of Certificated Employees Due to a Reduction of Particular Kinds of Services for the 2011-2012 School Year

Mike Bowers, Human Resources Interim, will request Board approval of the attached resolution authorizing reduction and/or elimination of certain services provided by certificated employees and the reduction in certificated staff for the 2011/12 school year.

PUBLIC COMMENT

Recommendation: Approve the Resolution No. 10-11-17, Reduce the Number of Certificated Employees Due to a Reduction of Particular Kinds of Services for the 2011-2012 School Year with a roll call vote.

Curriculum and Instruction

e) Consideration and Approval of the Benicia High School Course Outlines As Listed

Karen Dubrule, Director of Curriculum and Instruction, will ask the governing board to consider and approve the course outlines listed for Benicia High School.

PUBLIC COMMENT:

Recommendation: Approve the Course Outlines as presented.

14. INFORMATION ITEMS – NO ACTION REQUIRED – 9:30

a) Board Reports

b) Future Planning and Prioritization

- Course Outlines **
- Business Plan for CDU
- Benefits-Healthnet
- Advocacy/Initiative Committee
- Teacher on Special Assignment at BHS Re: Discipline
- Coordination of English Courses at BMS and BHS
- BMS Opportunity Class
- CTE Pathways
- Student Safety and Behavioral Expectations

15. ADJOURNMENT – 9:35

In compliance with the Americans With Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact Betty Jensen at 747-8300, ext. 1211. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II).
In compliance with SB343 amended Gov Code 54957.5, any materials distributed to the Board less than 72 hours before the meeting will be available to the public for inspection at the Office of the Superintendent, 350 East K Street, Benicia, California.

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE	:	March 4, 2011
TO	:	Mayor Patterson Vice Mayor Campbell
FROM	:	City Manager
SUBJECT	:	**SKY VALLEY OPEN SPACE COMMITTEE**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The next meeting of the Sky Valley Committee is scheduled for May 4, 2011.

The committee meets quarterly.

X.B.6.2

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 2, 2011

TO : Mayor Patterson
Council Member Campbell

FROM : City Manager

SUBJECT : **SOLANO EDC BOARD OF DIRECTORS**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The last Board of Directors meeting was held on Thursday, January 20, 2011. The agenda for that meeting was previously issued. The minutes are attached.

The next Board of Directors meeting will be held on Thursday, March 24, 2011 at 9:00 am at Jelly Belly Candy Company. The agenda for that meeting is not yet available.

X.B.7.2

Michael S. Ammann
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Sandy Person
Vice-President
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SOLANO EDC BOARD OF DIRECTORS MEETING
January 20, 2011, 9:00 AM

CALL TO ORDER

Chairman Reynolds called the meeting to order at 9:02 am at the Jelly Belly Candy Company.

Attending were:

Mike Ammann	Robert Bloom	Kay Draisin	Bill Eisenhardt	Kevin English
Kevin Finn	Mario Giuliani	Steve Hardy	Norm Hattich	Steve Huddleston
Nancy Huston	Curt Johnston	Jack Krebs	Albert Lavezzo	Steve Lessler
Foy McNaughton	Elizabeth Patterson	Sandy Person	Mike Reagan	Tom Recknagel
Scott Reynolds	Debra Russo	Talyon Sortor	Jay Speck	Michael Wilson

Absent were:

Jack Batchelor	Rebecca Brandt	Barry Cavanna	Elaine Crombie	Jim Dunbar
Joanie Erickson	Kevin Finger	Bruce Gondry	Daryl Halls	Jowel Laguerre
Catherine Moy	Brooks Pedder	John Ray	Michael Segala	Bob Simpson
Sue Vaccaro	Patsy Van Ouwerkerk		Louise Walker	

APPROVAL OF MINUTES

Chairman Reynolds called for approval of minutes of the November meeting. Upon motion duly made (Lavezzo) and seconded (Eisenhardt) it was RESOLVED, that the minutes of the November 18, 2010 meeting of the Solano EDC Board of Directors be accepted as submitted.

TREASURERS REPORT

Treasurer John Onsum retired last month. Patsy Van Ouwerkerk will serve as the new treasurer. In the treasurer's absence, Vice-President Person presented the financial report for the month of December 2010. Upon motion duly made (Lessler) and seconded (Huddleston) it was RESOLVED, that the Treasurer's Report be accepted.

ELECTION OF 2011 BOARD OF DIRECTORS

Chairman Reynolds called for the acceptance of the results of the Board election. He noted 43 ballots were received. 37 were unanimous, 6 were not. There were three replacements: Steve Hardy, City of Vacaville for Len Augustine; Jay Speck, Solano County Office of Education for Dee Alarcon and Louise Walker, First Northern Bank for John Onsum.

Upon motion duly made (McNaughton) and seconded (Hattich) it was

RESOLVED, that the voting results of the Board Election be accepted.

ELECTION OF 2011 CHAIRPERSON

Chairman Reynolds opened nominations for the 2011 Chairperson. Director Hattich nominated Scott Reynolds to serve another term. There were no additional nominations.

Upon motion duly made (Lavezzo) and seconded (Draisin) it was

RESOLVED, that Scott Reynolds serve as the 2011 Solano EDC Chairman.

Chairman Reynolds announced Patsy Van Ouwerkerk will serve as Treasurer, Kay Draisin, Secretary and Sean Quinn, Vice Chair.

CHAIRMAN UPDATE

Chairman Reynolds commented 2011 is going to be a challenging year due to changing economics, public sector funding cuts and the changing needs of our members. Potential changes at the EDC include more regulatory issues, MOU's to share resources, examine fee for services, project management system and examine the dues structure. He stressed the importance of being flexible and adaptable during this challenging time.

MARKETING TASK FORCE UPDATE

Committee Chair Johnston noted there will be a Revolving Loan Fund presentation at the January 26 City Managers meeting. At the last Marketing Task Force meeting the group reviewed the marketing plan for 2011 and topics for a web-based video project to promote Solano County.

MEMBERSHIP COMMITTEE UPDATE

Committee Chair Hattich asked for director's assistance providing leads for new members for 2011.

PRESIDENT'S UPDATE

President Ammann provided an update on lead and prospect activity since the last meeting. He also provided updates on: regional regulatory issues; BCDC; an MOU with Alameda, Contra Costa and Tri-Valley for economic development activities; project management exploration; Highway 12 economic analysis; potential contract with Manex for manufacturer roundtable meetings.

Calendar items were discussed. The meeting adjourned 10:22 am.

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Mayor Patterson
Council Member Ioakimedes

FROM : Director of Public Works and Community Development

SUBJECT : **SOLANO TRANSPORTATION AUTHORITY**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

The minutes from the STA Board meetings on January 19, 2011 and February 9, 2011 are not currently available.

A STA Board meeting was held on March 9, 2011 and the agenda for that meeting is included.

The next STA Board meeting will be on April 13, 2011at 6:00 p.m., Suisun City Hall Council Chambers, the agenda for that meeting is not currently available.

X.B.8.2

Solano Transportation Authority

SOLANO TRANSPORTATION AUTHORITY
BOARD MEETING AGENDA
6:00 p.m., Regular Meeting
March 9, 2011
Suisun City Hall Council Chambers
701 Civic Center Drive
Suisun City, CA 94585

Mission Statement: To improve the quality of life in Solano County by delivering transportation system projects to ensure mobility, travel safety, and economic vitality.

Public Comment: Pursuant to the Brown Act, the public has an opportunity to speak on any matter on the agenda or, for matters not on the agenda, issues within the subject matter jurisdiction of the agency. Comments are limited to no more than 2 minutes per speaker unless modified by the Board Chair, Gov't Code § 54954.3(a). By law, no action may be taken on any item raised during the public comment period (Agenda Item IV) although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the agency. **Speaker cards are required in order to provide public comment. Speaker cards are on the table at the entry in the meeting room and should be handed to the STA Clerk of the Board. Public comments are limited to 2 minutes or less.**

Americans with Disabilities Act (ADA): This agenda is available upon request in alternative formats to persons with a disability, as required by the ADA of 1990 (42 U.S.C. §12132) and the Ralph M. Brown Act (Cal. Govt. Code §54954.2). Persons requesting a disability related modification or accommodation should contact Johanna Masiclat, Clerk of the Board, at (707) 424-6008 during regular business hours at least 24 hours prior to the time of the meeting.

Staff Reports: Staff reports are available for inspection at the STA Offices, One Harbor Center, Suite 130, Suisun City during regular business hours, 8:00 a.m. to 5:00 p.m., Monday-Friday. You may also contact the Clerk of the Board via email at jmasiclat@sta-snci.com. **Supplemental Reports:** Any reports or other materials that are issued after the agenda has been distributed may be reviewed by contacting the STA Clerk of the Board and copies of any such supplemental materials will be available on the table at the entry to the meeting room.

Agenda Times: Times set forth on the agenda are estimates. Items may be heard before or after the times shown.

ITEM	BOARD/STAFF PERSON
I. CALL TO ORDER/PLEDGE OF ALLEGIANCE (6:00 – 6:05 p.m.)	Chair Price
II CONFIRM QUORUM/ STATEMENT OF CONFLICT *An official who has a conflict must, prior to consideration of the decision; (1) publicly identify in detail the financial interest that causes the conflict; (2) recuse himself/herself from discussing and voting on the matter; (3) leave the room until after the decision has been made. Cal. Gov't Code § 87200.*	Chair Price

---

STA BOARD MEMBERS

Harry Price Chair **City of Fairfield**	Jack Batchelor, Jr. Vice-Chair **City of Dixon**	Elizabeth Patterson **City of Benicia**	Jan Vick **City of Rio Vista**	Pete Sanchez **City of Suisun City**	Steve Hardy **City of Vacaville**	Osby Davis **City of Vallejo**	Jim Spering **County of Solano**

STA BOARD ALTERNATES

Rick Fuller	Chuck Timm	Mike Ioakimedes	Janith Norman	Mike Hudson	Ron Rowlett	Erin Hannigan	John Vasquez

The complete STA Board Meeting Packet is available on STA's Website at www.solanolinks.com

III. APPROVAL OF AGENDA

IV. OPPORTUNITY FOR PUBLIC COMMENT
(6:05 – 6:10 p.m.)

V. EXECUTIVE DIRECTOR'S REPORT – Pg. 1 Daryl K. Halls
(6:10 – 6:15 p.m.)

VI. COMMENTS FROM CALTRANS, THE METROPOLITAN TRANSPORTATION COMMISSION (MTC), AND STA
(6:15 – 6:25 p.m.)

A. Caltrans Report
   1. Hunter Hill Rest Stop — Doanh Nguyen

B. Directors Report:
   1. Planning — Robert Macaulay
   2. Projects — Sam Shelton
   3. Transit/Rideshare — Elizabeth Richards

VII. CONSENT CALENDAR
Recommendation:
Approve the following consent items in one motion.
(Note: Items under consent calendar may be removed for separate discussion.)
(6:25 - 6:30 p.m.)

A. STA Board Meeting Minutes of February 9, 2011 — Johanna Masiclat
Recommendation:
Approve STA Board Meeting Minutes of February 9, 2011.
Pg. 5

B. Draft TAC Meeting Minutes of February 23, 2011 — Johanna Masiclat
Recommendation:
Approve Draft TAC Meeting Minutes of February 23, 2011.
Pg. 13

C. Comprehensive Transportation Plan (CTP) Consultant Scope of Work — Robert Macaulay
Recommendation:
Authorize the Executive Director to release a Request for Proposal (RFP) for consultant services for the STA's CTP update and enter into an agreement in an amount not-to-exceed $125,000.
Pg. 17

D. Solano Countywide Bicycle Locker Study — Robert Guerrero
Recommendation:
Approve STA to conduct a Solano Countywide Bicycle Locker Study.
Pg. 29

E. Solano Rail Crossing Inventory and Improvement Plan Robert Macaulay

Recommendation:
Adopt the Solano Rail Crossing Inventory and Improvement Plan.
Pg. 31

F. 2011 STA SR2S Countywide Plan Update & Mapping Project Scope of Work Sam Shelton

Recommendation:
Approve the following:

1. *Approve the Scope of Work for the SR2S 2011 Plan Update & Mapping Project in Attachment A; and*
2. *Authorize the Executive Director to release a Request for Proposals not-to-exceed $335,000 for the SR2S 2011 Plan Update & Mapping Project as shown in Attachment A, upon authorization of federal funding.*

Pg. 33

VIII. ACTION FINANCIAL ITEMS

A. Solano County Clean Air Grant Priorities Robert Guerrero

Recommendation:
Approve the allocation of Bay Area Transportation for Clean Air Funds (TFCA) and prioritization of Yolo Solano County Clean Air Funds as follows:

1. *$200,000 from Bay Area TFCA for Solano Napa Commuter Information (SNCI) Program; and*
2. *$30,000 from Bay Area TFCA and Prioritization of $30,000 from the Clean Air Program for the Solano Safe Routes to School (SR2S) Program ($60,000 total).*

(6:30 – 6:35 p.m.)
Pg. 39

B. Transfer of Land for the I-80/I-680/State Route (SR) 12 Interchange Project Bernadette Curry

Recommendation:
Adopt Resolution No. 2011-05 authorizing the Executive Director to negotiate with the City of Fairfield and the Fairfield Redevelopment Agency for the transfer of those parcels necessary for the I-80/I-680/SR12 Interchange Project.
(6:35 – 6:40 p.m.)
Pg. 41

IX. ACTION NON-FINANCIAL ITEMS

A. Regional Transportation Plan (RTP) Update and Solano Call for Projects Draft List — Robert Macaulay

Recommendation:
Approve the following:

1. *Release the Draft Solano RTP Project List for public review; and*
2. *Issue a call for projects to be included in the Solano RTP Project List.*

(6:40 – 6:50 p.m.)
Pg. 45

B. STA Project Delivery Policy — Sam Shelton

Recommendation:
Adopt the STA Project Delivery Policy as shown in Attachment B.
(6:50 – 6:55 p.m.)
Pg. 39

C. Agricultural Land and Open Space Preservation — Robert Macaulay

Recommendation:
Authorize the STA Chair to forward a letter to MTC and ABAG supporting financial incentives for preservation of agricultural and open space lands.
(6:55 – 7:00 p.m.)
Pg. 77

X. INFORMATIONAL – NO DISCUSSION

A. Legislative Updates — Bernadette Curry
Pg. 85

B. Fiscal Year (FY) 2011-12 Transportation Development Act (TDA) and State Transit Assistance Funds (STAF) Fund Estimates
Pg. 93

C. Project Delivery Update — Jessica McCabe
Pg. 99

D. Funding Opportunities Summary — Sara Woo
Pg. 105

E. STA Board Meeting Schedule for Calendar Year 2011 — Johanna Masiclat
Pg. 111

XI. BOARD MEMBERS COMMENTS

XII. ADJOURNMENT

The next regular meeting of the STA Board is scheduled at a **Special Time and Date: Wednesday, April 20, 2011, 4:00 p.m., Suisun City Hall Council Chambers.**

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Mayor Patterson
Vice Mayor Schwartzman

FROM : Director of Public Works and Community Development

SUBJECT : **SOLANO WATER AUTHORITY**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

The minutes from the meeting held on February 10, 2011 are attached. A meeting was held on March 10, 2011 and the agenda from that meeting is included.

The next Solano Water Authority (SWA) Board of Directors meeting will be on April 14, 2011, the agenda for that meeting is not yet available.

The SWA also has a Delta Committee that typically meets each month directly before the regular SWA meeting.

X.B.9.2

SOLANO COUNTY WATER AGENCY

BOARD OF DIRECTORS MEETING MINUTES

MEETING DATE: February 10, 2011

The Solano County Water Agency Board of Directors met this evening at the Solano Irrigation District. Present were:

Mayor Steve Hardy, City of Vacaville
Mayor Elizabeth Patterson, City of Benicia
Mayor Jack Batchelor, City of Dixon
Mayor Harry Price, City of Fairfield
Mayor Pete Sanchez, City of Suisun
Supervisor Barbara Kondylis, Solano County District 1
Supervisor Linda Seifert, Solano County District 2
Supervisor Jim Spering, Solano County District 3
Supervisor John Vasquez, Solano County District 4
Supervisor Mike Reagan, Solano County District 5
Director Bob Bishop, Solano Irrigation District
Manager Don Holdener, Maine Prairie Water District
Manager Mike Hardesty, Reclamation District 2068

CALL TO ORDER

The meeting was called to order at 6:30 P.M. by Chairman Jack Batchelor.

APPROVAL OF AGENDA

On a motion by Supervisor Kondylis and a second by Manger Hardesty, the Board unanimously approved the agenda.

PUBLIC COMMENT

There were no public comments.

CONSENT ITEMS

Manager Okita requested that Item (C) be pulled for separate discussion. On a motion by Chairman Batchelor and a second by Mayor Price the Board unanimously approved the following consent items:

(A) Minutes

(B) Expenditure Approvals

(D) Funding for the Federal Cooperative Endangered Species Conservation Fund

CONSENT ITEM (C) – Legislation Exempting Low-Use Watershed Restoration Equipment from State Diesel Regulations.

Manager Okita reported that no Board action is necessary on this item as Senator Wolk's office has assisted the Lower Putah Creek Coordinating Committee in working with the Air Resources Board and the local District to potentially resolve this issue without legislation.

BOARD MEMBER REPORTS

Supervisor Reagan reported that the Delta County Coalition had an introductory meeting with Secretary Laird on February 9, 2011.

GENERAL MANAGERS REPORT

There were no additions to the written report.

PUTAH CREEK RIPARIAN DIVERSIONS

In 2008 the Board was informed that riparian diversions were affecting the Agency's ability to meet its flow requirements under the terms of the 2000 settlement agreement and causing flow violations. The 2000 settlement agreement resulted in a revised release schedule which requires continuous flows and the riparian diversions interrupt this requirement. Flow meters placed in the Creek monitor the flow requirements. Through meetings with the diverters, a collective informal understanding was reached to have a diversion cut-off date of July 15th and for the diverters to provide pumping schedules. With these schedules and the cut-off date the Agency has had more success meeting the flow requirements of the settlement agreement. Staff is dealing separately with landowners downstream of Mace Blvd. who have special circumstances and are large volume diverters. There have been compliance problems with some of these diverters. The Agency has been nurturing cooperative solutions like these with the riparian diverters to provide them with water supply while meeting the terms of the settlement agreement.

TIME AND PLACE OF NEXT MEETING

The next regularly scheduled meeting will be Thursday, March 10, 2011 at 7:00 p.m. at the Solano Irrigation District offices.

ADJOURNMENT

This meeting of the Solano County Water Agency Board of Directors was adjourned at 7:00 P.M.

David B. Okita, General Manager
and Secretary to the Board of Directors of the
Solano County Water Agency

SOLANO COUNTY WATER AGENCY

BOARD OF DIRECTORS MEETING

DATE: **Thursday, March 10, 2011**

TIME: **7:00 p.m. (Note CCCC Meeting is from 6:30-7:00)**

PLACE: **Solano Irrigation District**
508 Elmira Road
Vacaville

1. **CALL TO ORDER**

2. **PLEDGE OF ALLEGIANCE**

3. **APPROVAL OF AGENDA**

4. **PUBLIC COMMENT**

   Limited to 5 minutes for any one item not scheduled on the Agenda.

5. **CONSENT ITEMS**

   (A) Minutes: Approval of the Minutes of the Board of Directors meeting of February 10, 2011 is recommended.

   (B) Expenditure Approvals: Approval of the February checking account register and list of checks $500 and over to be paid is recommended.

   (C) Amendment to KC Engineering Agreement for Construction Inspection Services: Authorization of the Chairman to execute Amendment #4 to agreement with KC Engineering for construction inspection services for Putah Diversion Office Compound Project is recommended. Cost increase of $14,000 from $61,000 to $75,000.

   (D) Putah Creek Floodplain Restoration Project: Adopt "prequalification of bidders" process. Authorization for staff to advertise for bidders to pre-qualify for the Lower Putah Creek Coordinating Committee's Winters Putah Creek Park: Channel Realignment Project and to appoint an appeals panel is recommended.

P.O. Box 349 • 6040 Vaca Station Road, Building 84
Elmira, California 95625-0349
Phone (707) 451-6090 • FAX (707) 451-6099
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SOLANO WATER
WASTE NOT • WANT NOT

(E) Putah Diversion Compound Renovation Project: Construction Contract Change Orders: Authorization of General Manager to approve construction contract change orders up to $120,000 for the Putah Diversion Compound Renovation Project is recommended.

(F) Putah Creek Flood Reduction and Habitat Improvement Project: Adoption of Resolution No. 2011-1 authorizing submission of a grant application and an agreement with the State of California for combined Proposition 84 and Proposition 1E grant funding for the Putah Creek Flood Reduction and Habitat Improvement Project if awarded on behalf of the Lower Putah Creek Coordinating Committee is recommended.

6. BOARD MEMBER REPORTS

RECOMMENDATION: For information only.

7. GENERAL MANAGER'S REPORT

RECOMMENDATION: For information only.

8. DELTA REPORT

RECOMMENDATION: Hear report from staff on various Delta activities. Provide direction as appropriate.

9. SOLANO PROJECT FUTURE WATER SUPPLY RISKS

RECOMMENDATION: Hear report from staff on status of Putah Creek Accord settlement and future potential risks to Solano Project water supply.

10. LEASE FOR WAREHOUSE SPACE

RECOMMENDATION: Authorize Chairman to execute a long term lease with the Solano Irrigation District for 902 square feet of warehouse space that is part of the new SID warehouse on Piper Drive in Vacaville adjacent to the new SID/SCWA office building. One-time payment of $142,173.

11. TIME AND PLACE OF NEXT MEETING

Thursday, April 14, 2011 at 6:30 pm at the Solano Irrigation District offices.

The Full Board of Directors packet with background materials for each agenda item can be viewed on the Agency's website at www.scwa2.com.

Mar.2011.bod.agd.doc

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Council Member Hughes
Council Member Ioakimedes

FROM : Director of Public Works and Community Development

SUBJECT : **TRAFFIC, PEDESTRIAN AND BICYCLE SAFETY (TPBS) COMMITTEE**

The following is provided for your committee report at the April 5, 2011 Council meeting.

The Traffic, Pedestrian and Bicycle Safety (TPBS) Committee meets quarterly at 7:00 p.m. in the Commission Room at City Hall.

The next scheduled meeting is April 21, 2011 at 7:00 pm.

A regular meeting was held on January 20, 7:00 pm, in the Commission Room. That meeting agenda is attached for your information. The meeting minutes from this meeting are scheduled for approval at the next committee meeting.

The meeting minutes of the May 20, 2010 special meetings (attached) were approved.

Attachments:

- TPBS Committee agenda January 20, 2011 regular meeting
- TPBS Committee approved minutes May 20, 2010 meeting

X.B.10.2

City of Benicia
TRAFFIC PEDESTRIAN &
BICYCLE SAFETY (TPBS) COMMITTEE

REGULAR MEETING
City Hall – Commission Room
Thursday, January 20, 2011
7:00 pm

AGENDA

I. CALL TO ORDER
1. Pledge of Allegiance
2. Roll Call
3. Fundamental Rights Statement

II. APPROVAL OF MINUTES
- May 20, 2010 Special Meeting

III. PUBLIC COMMENT

IV. INFORMATIONAL ITEMS:
1. Tree Inventory Master Plan Project and City Streets – M. Giuliani
2. New Traffic Data Collection Equipment – Sgt. Hartig

V. ACTION ITEMS
1. West K Street Traffic Calming Request (W 7th to Military West) – Mike Roberts
   Recommendation: The Committee receive public comments about traffic concerns on West K Street and then make a determination if the City's traffic calming program would be appropriate to address those concerns.
2. Meeting Calendar for 2011.
   Recommendation: The Committee review and approve the calendar for regularly scheduled TPBS meetings for 2011 calendar year.

VII. COMMUNICATION FROM STAFF

VIII. ADJOURNMENT

Public Participation

The Traffic Pedestrian and Bicycle Safety (TPBS) Committee welcomes public participation.

Pursuant to the Brown Act, each public agency must provide the public with an opportunity to speak on any matter within the subject matter jurisdiction of the agency and which is not on the agency's agenda for that meeting. The TPBS Committee allows speakers to speak on agendized and non-agendized matters under public comment. Comments are limited to no more than 5 minutes per speaker. By law, no action may be taken on any item raised during the public comment period although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the TPBS Committee.

Disabled Access

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance to participate in this meeting, please contact Anne Cardwell, the ADA Coordinator at (707) 746-4200. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Meeting Procedures

All items listed on this agenda are for the TPBS Committee discussion and/or action. In accordance with the Brown Act, each item is listed and includes, where appropriate, further description of the item and/or a recommended action. The posting of a recommended action does not limit, or necessarily indicate, what action may be taken by the TPBS Committee.

Public Records

The agenda packet for this meeting is available at the Public Works & Community Development Department, City Clerk's Office and the Benicia Public Library during regular work hours. To the extent feasible, the packet is also available on the City's web page at *www.ci.benicia.ca.us* under the heading "Agendas and Minutes." If you wish to submit written information on an agenda item, please submit to Kathy Trinque, Administrative Secretary, as soon as possible so that it may be distributed to the Committee.

Approved

MINUTES
CITY OF BENICIA
TRAFFIC, PEDESTRIAN AND BICYCLE SAFETY (TPBS) COMMITTEE
Special Meeting
Thursday, May 20, 2010
7:00 pm

I. CALL TO ORDER -- Meeting called to order at 7:02 pm

1. Roll Call –
   Committee Members Present:
   Council Member Mike Ioakimedes, Acting City Engineer Mike Roberts, Sgt. Frank Hartig, Police Department Traffic Division.
   Absent: Council Member Mark Hughes (Chair)
   Staff Present: Kathy Trinque, Administrative Secretary
2. Pledge of Allegiance
3. Fundamental Rights Statement

II. APPROVAL OF MINUTES

April 23, 2009 – Special Meeting
May 6, 2009 – Special Meeting

Motion to approve minutes made by Sgt. Hartig, seconded by Mike Roberts.
Vote: 3-0 in favor of approving minutes for both meetings.

III. PUBLIC COMMENT

None.

IV. PRESENTATIONS:

1. Facilitating Public Participation, presented by Open Government Commissioner, Claire McFadden.

Claire discussed the key components of civic engagement, which is the same term used for community engagement. For details, see a copy of her power point presentation (attached).

2. Open Government training presented by Heather McLaughlin, City Attorney.

Heather distributed booklets that included legal updates of the Brown Act, Public Records Act and Code of Conduct (Ethics) for Committees/Commissions. She reviewed these sections with the Committee.

Mike Ioakimedes asked if the City is developing a policy about texting and computer use during meetings.

Ms. McLaughlin stated, not at this time.

3. Solano Transportation Authority (STA), Safe Routes to School Program, presented by Sam Shelton, from STA.

Sam reviewed the distributed materials outlining the STA's Safe Routes to School Program. He explained that the program's goal is to encourage more students to walk and bicycle to school. There is $2.5 million in funding available for this program (countywide). Sam discussed this funding and which city's projects were chosen and why. After the city projects are chosen, the remainder of the funds is used across Solano County.

Committee discussion/questions:

Mike Roberts asked how Benicia could compete more successfully for grant funds. Compared to other larger cities, Benicia's projects don't score as high and because we're a smaller city. Our projects don't meet the $250,000 minimum required.

Sam Shelton responded that Suisun City is about the same size as Benicia and they won an award of grant funds for a project that qualified based on size. If Benicia has a particular project with safety problems, the STA will look at it on a case-by-case basis. He agreed that the program doesn't work for many cities.

Sgt. Hartig commented that we do have 4 new radar speed signs installed in Benicia. Two are located on East 2nd Street, north and southbound direction and two are located on Southampton Road, near the Middle School, east and westbound direction.

Gretchen Burgess, member of the public, expressed concern about pedestrian safety at the intersection of West 7th, Military West and Buena Vista. She asked that the pedestrian signal be re-programmed to allow the pedestrians more time to cross the street before vehicles are allowed to proceed. She also offered to volunteer for the walking/riding STA program.

Mike Roberts stated that he will check into her request at W 7th/Military West/Buena Vista intersection.

Sgt. Hartig responded that the Police Department will provide direct enforcement in response to complaints received at this intersection.

Mike Ioakimedes asked staff if trees are a component of traffic calming since the Tree Committee has $700,000 allocated from the Valero Improvement Project settlement agreement.

Mike Roberts stated that he is willing to look at where additional trees may be planted.

Sam Shelton suggested that the traffic signal be adjusted so the pedestrian green light begins first before the vehicles proceed on the green light.

Mike Roberts agreed with Sam's suggestion and further suggested that he would look into what the technical restrictions of this signal light are. This signal light is one of the older ones that may need to be replaced.

Mike Roberts also requested that Gretchen Burgess contact him for other suggested ways to improve this intersection.

V. INFORMATIONAL ITEMS

1. Public Works & Community Development Dept Staffing Update.

Mike Roberts provided the Committee with an update. The City is in the process of hiring a Land Use and Engineering Manager and possibly a new Principal Engineer. The TPBS Committee was formerly comprised of the Director of Public Works, City Engineer, two Council Members and a Police Chief representative. With new staff being hired, it is a good time to look at the make up of this committee.

Mike Ioakimedes asked if this Committee can make the decision to change its members or will it have to be decided by the City Council.

Mike Roberts read from the Benicia Municipal Code that some positions are identified in the Code but the Mayor makes committee appointments. He also stated that it was mentioned that the Committee may wish to remove staff from the Committee and add one citizen member. He suggested that the Committee may want to re-visit this item at its next meeting, once we have new staff in place.

2. St. Dominic School Pick-up/Drop off Activity Report.

Sgt. Frank Hartig reported that the Police Department has received no complaints at this school location this school year. He distributed a map that showed a dedicated right-hand turn land and various other suggested improvements to the intersection of East I and East 5th Street. Some on-street parking would need to be eliminated for the right-turn lane to be created.

Committee members discussed various options.

Mike Roberts suggested that in this area, the key is keeping the traffic moving. The City may want to install a "right-turn only – during school hours" sign on the south side of this intersection. Let's keep these ideas in mind so we can go ahead and implement them, if needed. Staff will follow-up with the crosswalk installation on East I Street.

VI. ACTION ITEMS

1. Meeting calendar for 2010.

The Committee reviewed and approved the proposed calendar for the remainder of 2010.

Public Comment:

Gretchen Burgess, member of the public, asked why these meetings are held on the third Thursday of the month.

Staff responded that we have to work with limited meeting space and other days are already taken by other City committees and commissions.

Meeting adjourned at 8:45 pm.

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 4, 2011

TO : Mayor Patterson
Vice Mayor Campbell

FROM : City Manager

SUBJECT : **TRI-CITY AND COUNTY COOPERATIVE PLANNING GROUP**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The last scheduled meeting between the Governing Board and Citizens Advisory Committee took place on Monday, December 13, 2010. The minutes from that meeting are not available until approved at the next regularly scheduled meeting, set to take place on March 14, 2011.

X.B.11.2

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : Council Member Hughes

FROM : City Manager

SUBJECT : **VALERO COMMUNITY ADVISORY PANEL (CAP)**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The CAP meets quarterly at 6:30 p.m. at the refinery at 610 Industrial Way.

The next meeting date has not been scheduled.

X.B.12.2

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORT

DATE : March 3, 2011

TO : Mayor Elizabeth Patterson
Council Member Mike Ioakimedes
Council Member Schwartzman

FROM : Youth Action Coalition

SUBJECT : **YOUTH ACTION COALITION**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The next Benicia Youth Action Coalition meeting will be held on Wednesday, March 23rd, 3:30 p.m. in the Commission Room at City Hall. The agenda is not yet available.

Attached are the minutes from the January 26, 2011 meeting.

X.B.13.2

BENICIA YOUTH ACTION COALITION
JANUARY 26, 2011
MINUTES

Present

Jerry Pollard	Chairman, Police Chaplaincy, Faith
Gary Wing	Vice Chair, Member at Large (Crisis/Faith)
Heidi Wing	Student, Youth Commission
Jim Trimble	Vice Chair, County Reducing Rates Coalition
Ken Davena	Retired Police Captain/Kiwanis Club
Annie Lloyd	Retired Teacher/Member at Large
Betty Jensen	Benicia Unified School District
Mike Ioakimedes	Councilmember, City of Benicia
Alan Schwartzman	Vice Mayor City of Benicia
Mike Minahen	Vice Principal, Benicia Middle School
Jane Abelee	Principal, Liberty High School
Susan Ferdinandi	Family Resource Center
Ernest Gutierrez	City Parks Commission
Ron Wheat	Vice Principal, Benicia High School
Andrew Bidou	Chief of Police, Benicia Police Department
Kay Bosick	Youth and Family Services
Patti Baron	BYAC Coordinator

Special guests: Heather McLaughlin, City Attorney
Benicia High School students: Chanler Powell, Haley Roderohr

Call to Order:
Chairman Jerry Pollard called the meeting to order at 3:34 p.m. Chairman Pollard referred to the Fundamental Rights of the Public.

Welcome New Member: Chairman Jerry Pollard welcomed Ernest Gutierrez to the Coalition. Ernest serves on the City Parks Commission.

Approve Agenda:
The agenda was approved as submitted
Motion: Jim Trimble Second: Alan Schwartzman Approved: unanimous

Approve Minutes:
The minutes of the December 1, 2010 were approved as submitted.
Motion: Alan Schwartzman Second: Annie Lloyd Approved: unanimous

Medical Marijuana Dispensary Ban: City Attorney Heather McLaughlin reported the City Planning Commission will discuss the staff's recommended ordinance to prohibit medical marijuana distribution facilities in the City. The City Council will review the ordinance next week. Jim Trimble made a motion to support the staff ordinance as submitted, Annie Lloyd seconded the motion, motion approved. It was noted the Coalition has gone on record in the past supporting the staff recommendation and our position was included in the staff report. Heather added staff is still working on the no smoking ordinance.

Reducing Rates Coalition Updates: Jim Trimble reported the Reducing Rates Coalition gave a presentation at the Board of Supervisors recent study session. The budget was not discussed. The next Board of Supervisors study session will be on March 1st, they will discuss the budget and City Teams will be asked to attend. Jim said the proposed budget supports City Teams but cuts other programs; AIM, Committed, Big Brother/Sisters mentoring. The RRC is seeking other sources of funding for these programs and will ask the county to bridge the gap.

Parent Project: Susan Ferdinandi reported the January class currently has 20 parents attending and the next class will start in April.

Community Forums: Patti reported the DVD forums will play on local channel 27, the first Wednesday of the month at 7:00 p.m. and twice on the first Sunday 11:00 am and 5:00 p.m.

Committed Project: Benicia High School students Haley and Chanler reported they have started the student leader of the Week. Students selected are surprised when they are presented a certificate during the class. At the end of the school year they hope to invite all the recipients to an event to honor them.

New Business: Chief Bidou reported the new District Attorney DuBain is interested in conducting a county wide Youth Summit in spring focusing on truancy. He said the event would invite stakeholders to discuss ways to combat truancy throughout the county. Chief Bidou said they are in the beginning stages and would keep the Coalition informed.

Adjourn: The meeting was adjourned at 4:45 p.m.

Next Meeting: February 23, 3:30 p.m. Commission Room

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 8, 2011

TO : City Council

FROM : Mayor Patterson

SUBJECT : **ABAG/CAL FED TASK FORCE/BAY AREA WATER FORUM**

The following information is provided for your committee report at the April 5, 2011 City Council meeting.

The next meeting is scheduled for March 28, 2011. Meetings are from 10:00 a.m. to 12:30 p.m. at the State Coastal Conservancy, 11th floor conference room, 1330 Broadway at 13th Street, Oakland. Highlights from the meeting held on December 6, 2010 are attached

The topics for the next meeting are:

- Groundwater Storage
- Groundwater and Surface Storage

X.B.14.2

Meeting Highlights

December 6, 2010

IRWMP Update: Grant News

Prop 84 IRWMP Planning Grants

- $20 million available statewide
- Nearly $27 million in applications
- Maximum grant $1 million
- Bay Area seeking $842,566
- Purpose to update IRWMP with climate change, relationship to local planning, etc.
- Bay Area proposal includes over $200,000 for Sonoma County Water Agency salt and nutrient management planning
- DWR announcement of proposed grant awards due no later than Dec. 8, 2010.
- Public meeting on awards Dec. 15.
- Comment period ends Dec. 23.

Prop 84 Implementation Grants

- Allocations to "funding areas"
- Bay Area allocation is $138 million
- Funds to be awarded in three separate rounds
- All funds must be awarded by June 30, 2013
- First round allocation for Bay Area is $30.66 million
- Proposals due January 7, 2010
- Bay Area proposal projects and amounts are as follows:
    - Conservation projects/programs $9 million
    - Recycled water projects $10 million
    - Wetlands/ecosystems restoration $3.7 million
    - DAC/flood assessment/fisheries $2.3 million
    - Green infrastructure projects $4.5 million
    - Grant administration $1.2 million
- Award announcement expected Spring 2011
- Those interested in proposing projects for rounds 2 and 3 need to get involved in IRWMP effort

Bay Area Noted for Steelhead Recovery Collaboration

A highlight of the recent ACWA conference was recognition of the Bay Area as a leader in cooperative efforts on steelhead recovery by those responsible for fish recovery. Zone 7 Water Agency and the Sonoma County Water Agency were recognized for working with NMFS on steelhead recovery.

NEXT MEETING	**Monday, March 28, 2011**
TOPIC	▪ **Groundwater Management** ▪ **Groundwater and Surface Storage**

X.B.14.4

AGENDA ITEM
CITY COUNCIL MEETING: APRIL 5, 2011
COUNCIL MEMBER COMMITTEE REPORTS

DATE : March 9, 2011

TO : Mayor Patterson
Council Member Ioakimedes

FROM : Finance Director

SUBJECT : **SOLANO COUNTY TRANSIT BOARD MEETING**

The following information is provided for your committee report at the April 5, 2011 Council meeting.

The Solano County Transit Joint Powers Authority (SolTrans JPA) held its second Board Meeting on February 17, 2011 in the Council Chambers in Vallejo. Mark Hughes was officially sworn in as board alternate.

I have attached the "DRAFT" minutes from the meeting for your review. The meeting was primarily focused on the recruitment of an Executive Director and authorizing SolTrans staff to negotiate operating contracts on behalf of the member agencies.

Attachment:
- Agenda from February 17, 2011

X.B.15.2

SolTrans

SOLANO COUNTY TRANSIT
BOARD MEETING AGENDA

4:00 p.m., Regular Meeting
Thursday, February 17, 2011
Vallejo City Hall Council Chambers
Vallejo

Public Comment: Pursuant to the Brown Act, the public has an opportunity to speak on any matter on the agenda or, for matters not on the agenda, issues within the subject matter jurisdiction of the agency. Comments are limited to no more than 3 minutes per speaker unless modified by the Board Chair, Gov't Code § 54954.3(a). By law, no action may be taken on any item raised during the public comment period (Agenda Item IV) although informational answers to questions may be given and matters may be referred to staff for placement on a future agenda of the agency.

Americans with Disabilities Act (ADA): This agenda is available upon request in alternative formats to persons with a disability, as required by the ADA of 1990 (42 U.S.C. §12132) and the Ralph M. Brown Act (Cal. Govt. Code §54954.2). Persons requesting a disability related modification or accommodation should contact Johanna Masiclat, Clerk of the Board, at (707) 424-6008 during regular business hours at least 24 hours prior to the time of the meeting.

Staff Reports: Staff reports are available for inspection at the STA Offices, One Harbor Center, Suite 130, Suisun City during regular business hours, 8:00 a.m. to 5:00 p.m., Monday-Friday. You may also contact the Clerk of the Board via email at jmasiclat@sta-snci.com. **Supplemental Reports:** Any reports or other materials that are issued after the agenda has been distributed may be reviewed by contacting the STA Clerk of the Board and copies of any such supplemental materials will be available on the table at the entry to the meeting room.

Agenda Times: Times set forth on the agenda are estimates. Items may be heard before or after the times shown.

ITEM	BOARD/STAFF PERSON
I. CALL TO ORDER/PLEDGE OF ALLEGIANCE (4:00 – 4:05 p.m.)	**Osby Davis, Mayor** **City of Vallejo**
II. CONFIRM QUORUM/ STATEMENT OF CONFLICT *An official who has a conflict must, prior to consideration of the decision; (1) publicly identify in detail the financial interest that causes the conflict; (2) recuse himself/herself from discussing and voting on the matter; (3) leave the room until after the decision has been made. Cal. Gov't Code § 87200.*	**Johanna Masiclat** **Clerk of the Board for the STA**
III. APPROVAL OF AGENDA	

SOLTRANS BOARD MEMBERS

Elizabeth Patterson	Mike Ioakimedes	Osby Davis	Erin Hannigan	Jim Spering	Harry Price
City of Benicia	**City of Benicia**	**City of Vallejo**	**City of Vallejo**	**MTC Representative**	**STA Ex-Officio**

Alternate Board Member
Mark Hughes
(Pending)

Alternate Board Member
Stephanie Gomes
(Pending)

The complete SolTrans Board Meeting Packet is available on STA's Website at www.solanolinks.com

IV. OPPORTUNITY FOR PUBLIC COMMENT
(4:05 – 4:10 p.m.)

V. SWEARING IN OF NEW SOLTRANS BOARD MEMBERS — Johanna Masiclat, STA

1. **Stephanie Gomes**
   Alternate Board Member Representing the City of Vallejo
2. **Mark Hughes**
   Alternate Board Member Representing the City of Benicia

VI. COMMENTS FROM STAFF
(4:10 – 4:15 p.m.) — Josh Shaw, Shaw Yoder, Inc.

- Presentation: California Transit Association

VII. CONSENT CALENDAR
Recommendation:
Approve the following consent items in one motion.
(Note: Items under consent calendar may be removed for separate discussion.)
(4:15 - 4:20 p.m.)

A. Meeting Minutes of December 15, 2010 — Johanna Masiclat, STA
Recommendation:
Approve the meeting minutes of December 15, 2010.
Pg. 1

B. Resolution Adopting SolTrans Conflict of Interest Code — Bernadette Curry, Legal Counsel
Recommendation:
Approve Resolution No. 2011-01 adopting the SolTrans Conflict of Interest Code as specified in Attachment A.
Pg. 9

VIII. ACTION ITEMS – ADMINISTRATIVE/FINANCE

A. Delegation of Authority for Transit Operating Contract Negotiations — Bernadette Curry, Legal Counsel
Recommendation:
Authorize staff to send a request for the delegation of authority to negotiate contract amendments on behalf of the cities of Benicia and Vallejo to the City Councils of Benicia and Vallejo.
(4:15 – 4:20 p.m.)
Pg. 17

B. Proposed SolTrans Employee Benefits/CEO Salary Range — John Harris, STA Consultant
Recommendation:
Approve the following:
1. *The salary and benefits recommendations as shown on Attachments A and B which includes 2% at 55 for PERS;*
2. *Authorize recruitment of the Executive Director be initiated.*

(4:20 – 4:30 p.m.)
Pg. 19

The complete SolTrans Board Meeting Packet is available on STA's Website at www.solanolinks.com

IX. ACTION ITEMS – PLANNING AND OPERATIONS

A. None presented.

X. INFORMATIONAL

A. Discussion of SolTrans Bylaws — Bernadette Curry, Legal Counsel
Informational
(4:30 – 4:40 p.m.)
Pg. 23

B. SolTrans Budget Update — Nancy Whelan, STA Consultant
Informational
(4:40 – 4:50 p.m.)
Pg. 31

C. Status of Transition Plan Implementation — John Harris, STA Consultant
Informational
(4:50 – 5:00 p.m.)
Pg. 35

XI. BOARD MEMBERS COMMENTS

XII. ADJOURNMENT

The next regular meeting of the SolTrans Board is tentatively scheduled for **Thursday, March 17, 2011, 4:00 p.m., Benicia City Hall Council Chambers.**

X.B.15.6