



Agenda
City of Vernon
Regular City Council Meeting
Tuesday, February 18, 2020, 09:00 AM
City Hall, Council Chamber
4305 Santa Fe Avenue
Vernon, California

Melissa Ybarra, Mayor
Leticia Lopez, Mayor Pro Tem
William Davis, Council Member
Carol Menke, Council Member
Diana Gonzales, Council Member

CALL TO ORDER

FLAG SALUTE

ROLL CALL

CHANGES TO THE AGENDA

PUBLIC COMMENT

At this time the public is encouraged to address the City Council on any matter that is within the subject matter jurisdiction of the City Council. The public will also be given a chance to comment on matters which are on the posted agenda during City Council deliberation on those specific matters.

PRESENTATION

1. **City Council**
[Employee Service Pin Awards for January 2020](#)
Recommendation:
No action required by City Council. This is a presentation only.
[1. Employee Service Recognition for January 2020](#)

CONSENT CALENDAR

All matters listed on the Consent Calendar are to be approved with one motion. Items may be removed from the Consent Calendar by any member of the Council. Those items removed will be considered immediately after the Consent Calendar.

2. City Clerk

[Approval of Minutes](#)

Recommendation:

Approve minutes for the February 4, 2020 Regular City Council Meeting and February 5, 2020 Special City Council Meeting.

1. [2020-02-04 City Council Minutes](#)

2. [2020-02-05 City Council Minutes \(special\)](#)

3. Finance/ Treasury

[City Payroll Warrant Register](#)

Recommendation:

Approve City Payroll Account Warrant Register No. 764 for the period of January 1 through January 31, 2020, which totals \$4,389,718.45 and consists of ratification of direct deposits, checks and taxes totaling \$3,054,709.01 and ratification of checks and electronic fund transfers (EFT) for payroll related disbursements totaling \$1,335,009.44 paid through operating bank account.

1. [City Payroll Account Warrant Register No. 764](#)

4. Finance/ Treasury

[Operating Account Warrant Register](#)

Recommendation:

Approve Operating Account Warrant Register No. 39, for the period of January 19 through February 1, 2020, which totals \$6,655,484.72 and consists of ratification of electronic payments totaling \$6,366,351.32 and ratification of the issuance of early checks totaling \$289,133.40.

1. [Operating Account Warrant Register No. 39](#)

5. Fire Department

[Fire Department Activity Report](#)

Recommendation:

Receive and file the December 2019 Report.

1. [Fire Department Activity Report - 12/1/19 to 12/31/19](#)

6. Police Department

[Police Department Activity Report](#)

Recommendation:

Receive and file the December 2019 Reports.

1. [Police Department Activity Report - 12/01/19 to 12/15/19](#)

2. [Police Department Activity Report - 12/16/19 to 12/31/19](#)

NEW BUSINESS

7. **Public Utilities**

[Construction Contract with Best Drilling and Pump, Inc. for the Well No. 17 Rehabilitation Project](#)

Recommendation:

A. Find that the proposed action is categorically exempt from California Environmental Quality Act (CEQA) review, in accordance with CEQA Guidelines §15301, because the project consists of the maintenance, repair or minor alteration of existing facilities and involves negligible or no expansion of an existing use;

B. Accept the bid from Best Drilling and Pump, Inc. as the lowest responsive and responsible bidder and reject all other bids;

C. Approve and authorize the City Administrator to execute a Construction Contract with Best Drilling and Pump, Inc., in substantially the same form as submitted, in an amount not to exceed \$552,929.00 for the Well No. 17 Rehabilitation Project; and

D. Authorize a contingency amount of \$47,000.00 in the event of unforeseen changes in the project and grant authority to the City Administrator to issue Change Orders for an amount up to the contingency amount, if necessary. At approximately 8.5% of the total contract value, the contingency amount requested is typical for this type and size of project.

[1. Contract with Best Drilling and Pump, Inc. for the Well No. 17 Rehab Project](#)

8. **Finance/ Treasury**

[2020 Electric System Revenue Bonds](#)

Recommendation:

A. Find that approval of the resolution to issue 2020 Electric System Revenue Bonds is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by the Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines; and

B. Adopt a resolution for the issuance of 2020 Electric System Revenue Taxable Series A Bonds in the par amount of approximately \$190 million to provide funds to (a) refund a portion of the City's outstanding 2009 Series A, 2012 Series B and 2015 Series A Electric System Revenue Bonds (b) finance costs of certain capital improvements for the electric system (c) fund a deposit to the Debt Service Reserve Fund, and (d) pay cost of issuance of the 2020 Series Bonds. The resolution provides for flexibility to accommodate interest rate fluctuations that would impact market conditions.

[1. Resolution - 2020 Electric System Revenue Bonds](#)

[2. Instructions and Request Regarding Bonds to Be Refunded \(2009A Bonds\)](#)

[3. Instructions and Request Regarding Bonds to Be Refunded \(2012B Bonds\)](#)

[4. Instructions and Request Regarding Bonds to Be Refunded \(2015A Bonds\)](#)

9. Finance/ Treasury

2020 Water System Revenue Bonds

Recommendation:

A. Find that approval of the resolution to issue 2020 Water System Revenue Bonds is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by the Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines; and

B. Adopt a resolution for the issuance of 2020 Water System Revenue Tax Exempt Series A Bonds in the par amount of \$15 million to provide funds to (a) finance costs of certain capital improvements for the water system (b) fund a deposit to the Debt Service Reserve Fund, and (c) pay cost of issuance of the 2020 Series Bonds. The resolution provides for flexibility to accommodate interest rate fluctuations that would impact market conditions.

1. Resolution - 2020 Water System Revenue Bonds

10. City Administration

Legislation to Address Use of Public Moneys to Compensate Non-employees for Business Recruitment

Recommendation:

A. Find that the proposed action is exempt from California Environmental Quality Act (CEQA) review, because it is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines §15378; and

B. Authorize City staff to pursue the development of state legislation that prohibits the use of public moneys to compensate consultants or non-employees for activities related to the recruitment of private companies to relocate any portion of their business from one city or county to another pursuant to any form of sales tax sharing agreement.

ORAL REPORTS

City Administrator Reports on Activities and other Announcements

City Council Reports on Activities (including AB1234), Announcements, or Directives to Staff

CLOSED SESSION

11. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (4 cases)
Government Code Section 54956.9(d)(1)

Bicent (California) Malburg LLC et al. v. City of Vernon et al.,
Los Angeles Superior Court Case No. 19STCV08859 and JAMS Reference No.
1100107175

City of Vernon v. Bicent (California) Malburg LLC
Los Angeles Superior Court Case No. 19STCP02411 and JAMS Reference No.
1220062657

Vernon Professional Firefighters Association v. City of Vernon
Public Employment Relations Board (PERB) Unfair Practice Charge No. LA-CE-
1423-M

Signal Hill vs. Central Basin Municipal Water District
Los Angeles Superior Court Case No. 19STCP03882

12. CONFERENCE WITH LABOR NEGOTIATORS


Government Code Section 54957.6
Agency Designated Representative: Carlos Fandino, City Administrator
Employee Organizations:
Vernon Professional Firefighters Association, and
Vernon Fire Management Association

13. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant Exposure to Litigation
Government Code Section 54956.9(d)(2)
Number of potential cases: 1
Facts and Circumstances: Pursuant to Government Code Section 54956.9(e)(3), the
City has received written communication threatening litigation on behalf of the Vernon
Fire Management Association, which communication is made available for public
inspection pursuant to Section 54957.5.

ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing agenda was posted in accordance with the applicable legal requirements. Regular and Adjourned Regular meeting agendas may be amended up to 72 hours in advance of the meeting. Dated this 13th day of February 2020.

By: 
Lisa Pope, City Clerk

Guide to City Council Proceedings

Meetings of the City Council are held the first and third Tuesday of each month at 9:00 a.m. and are conducted in accordance with Rosenberg's Rules of Order (Vernon Municipal Code Section 2.1-1).

Copies of all agenda items and back-up materials are available for review in the City Clerk Department, Vernon City Hall, 4305 Santa Fe Avenue, Vernon, California, and are available for public inspection during regular business hours, Monday through Thursday, 7:00 a.m. to 5:30 p.m. Agenda reports may be reviewed on the City's website at www.cityofvernon.org or copies may be purchased for \$0.10 per page.

Disability-related services are available to enable persons with a disability to participate in this meeting, consistent with the Americans with Disabilities Act (ADA). In compliance with ADA, if you need special assistance, please contact the City Clerk department at CityClerk@ci.vernon.ca.us or (323) 583-8811 at least 48 hours prior to the meeting to assure arrangements can be made.

The **Public Comment** portion of the agenda is for members of the public to present items, which are not listed on the agenda but are within the subject matter jurisdiction of the City Council. The City Council cannot take action on any item that is not on the agenda but matters raised under Public Comment may be referred to staff or scheduled on a future agenda. Comments are limited to three minutes per speaker unless a different time limit is announced. Speaker slips are available at the entrance to the Council Chamber.

Public Hearings are legally noticed hearings. For hearings involving zoning matters, the applicant and appellant will be given 15 minutes to present their position to the City Council. Time may be set aside for rebuttal. All other testimony shall follow the rules as set for under Public Comment. If you challenge any City action in court, you may be limited to raising only those issues you or someone else raised during the public hearing, or in written correspondence delivered to the City Clerk at or prior to the public hearing.

Consent Calendar items may be approved by a single motion. If a Council Member or the public wishes to discuss an item, it may be removed from the calendar for individual consideration. Council Members may indicate a negative or abstaining vote on any individual item by so declaring prior to the vote on the motion to adopt the Consent Calendar. Items excluded from the Consent Calendar will be taken up following action on the Consent Calendar. Public speakers shall follow the guidelines as set forth under Public Comment.

New Business items are matters appearing before the Council for the first time for formal action. Those wishing to address the Council on New Business items shall follow the guidelines for Public Comment.

Closed Session allows the Council to discuss specific matters pursuant to the Brown Act, Government Code Section 54956.9. Based on the advice of the City Attorney, discussion of these matters in open session would prejudice the position of the City. Following Closed Session, the City Attorney will provide an oral report on any reportable matters discussed and actions taken. At the conclusion of Closed Session, the Council may continue any item listed on the Closed Session agenda to the Open Session agenda for discussion or to take formal action as it deems appropriate.

City Council Agenda Item Report

Agenda Item No. COV-36-2020
Submitted by: Veronica Avendano
Submitting Department: City Council
Meeting Date: February 18, 2020

SUBJECT

Employee Service Pin Awards for January 2020

Recommendation:

No action required by City Council. This is a presentation only.

Background:

Submitted herewith is a list of employees who are eligible to receive their service pin based on the number of service years with the City of Vernon.

Fiscal Impact:

None.

Attachments:

1. [Employee Service Recognition for January 2020](#)

2020 SERVICE PIN LIST

JANUARY ANNIVERSARY

EMPLOYEE'S NAME	DEPARTMENT	TITLE	D.O.H	YEARS
SHIRLEY U. SALAS	FINANCE	BUSINESS LICENSE CLERK	1/3/1995	25
BELINDA ARELLANO	POLICE	POLICE DISPATCHER	1/3/2000	20

City Council Agenda Item Report

Agenda Item No. COV-61-2020
Submitted by: Sandra Dolson
Submitting Department: City Clerk
Meeting Date: February 18, 2020

SUBJECT

Approval of Minutes

Recommendation:

Approve minutes for the February 4, 2020 Regular City Council Meeting and February 5, 2020 Special City Council Meeting.

Background:

Staff has prepared draft minutes and hereby submits the minutes for approval.

Fiscal Impact:

There is no fiscal impact associated with this report.

Attachments:

1. [2020-02-04 City Council Minutes](#)
2. [2020-02-05 City Council Minutes \(special\)](#)

**MINUTES
VERNON CITY COUNCIL
REGULAR MEETING
TUESDAY, FEBRUARY 4, 2020
COUNCIL CHAMBER, 4305 SANTA FE AVENUE**

CALL TO ORDER

Mayor Ybarra called the meeting to order at 9:00 a.m.

FLAG SALUTE

City Clerk Pope led the Flag Salute.

ROLL CALL

PRESENT: Melissa Ybarra, Mayor
 Leticia Lopez, Mayor Pro Tem
 William Davis, Council Member
 Carol Menke, Council Member
 Diana Gonzales, Council Member

STAFF PRESENT:

 Carlos Fandino, City Administrator
 Brian Byun, Senior Deputy City Attorney
 Lisa Pope, City Clerk
 Scott Williams, Finance Director
 Jim Enriquez, Interim Fire Chief
 Fredrick Agyin, Director of Health and Environmental Control
 Michael Earl, Human Resources Director
 Anthony Miranda, Police Chief
 Abraham Alemu, Public Utilities General Manager
 Dan Wall, Public Works Director

CHANGES TO THE AGENDA

None.

PUBLIC COMMENT

None.

PRESENTATIONS

1. **Vernon's Los Angeles River Active Transportation Access Plan**
 Recommendation:
 No action required by City Council. This is a presentation only.

Public Works Director Wall presented the staff report.

James Powell, Alta Planning, presented a PowerPoint regarding Vernon's Los Angeles River Active Transportation Access Plan.

In response to Mayor Ybarra, Mr. Powell explained the proposed physical separation on Leonis and District and modifications on the north side of the street. He discussed efforts to preserve parking and the parking use analysis.

CONSENT CALENDAR

MOTION

Council Member Davis moved and Council Member Gonzales seconded a motion to approve the Consent Calendar. The question was called and the motion carried unanimously.

The Consent Calendar consisted of the following items:

2. **City Clerk**
Approval of Minutes
Recommendation:
Approve the January 7 and January 21, 2020 Regular City Council meeting minutes.
3. **City Clerk**
Claims Against the City
Recommendation:
Receive and file the claim submitted by Diana Aquino in the amount of \$285.38.
4. **Finance/ Treasury**
Operating Account Warrant Register No. 38 Covering the Period of January 5 through January 18, 2020
Recommendation:
Approve Operating Account Warrant Register No. 38, which totals \$8,910,980.17, and consists of ratification of electronic payments totaling \$8,134,176.84 and ratification of the issuance of early checks totaling \$776,803.33.
5. **Public Works**
Public Works Monthly Building Report
Recommendation:
Receive and file the December 2019 Building Report.
6. **Public Works**
Notice of Completion - City Contract No. CS-1105 - Citywide Striping and Pavement Markings Fiscal Year (FY) 2018-2019
Recommendation:
A. Find that approval of the proposed action is exempt from California Environmental Quality Act ("CEQA") review, as it is a governmental administrative activity that will not directly result in physical changes to the environment and is therefore not a "project" as defined by CEQA Guidelines section 15378;

- B. Accept the work of PCI, Inc. as related to City Contract No. CS-1105 – Citywide Striping and Pavement Markings FY 2018-2019; and
- C. Authorize staff to submit the Notice of Completion for the project to the County of Los Angeles Recorder’s Office.

7. Public Works

Notice of Completion - City Contract No. CS-1130 - Concrete Yards at Furlong Properties

Recommendation:

- A. Find that approval of the proposed action is exempt from California Environmental Quality Act ("CEQA") review, as it is a governmental administrative activity that will not directly result in physical changes to the environment and is therefore not a "project" as defined by CEQA Guidelines section 15378;
- B. Accept the work of FS Contractors, Inc. as related to City Contract No. CS-1130 – Concrete Yards at Furlong Properties; and
- C. Authorize staff to submit the Notice of Completion for the project to the County of Los Angeles Recorder’s Office.

8. Public Works

Acceptance of Electrical Easement at 3015 Leonis Boulevard (APN 6303-021-007)

Recommendation:

- A. Find that acceptance of the Electrical Easement is not a “project” as that term is defined under the California Environmental Quality Act (CEQA) Guidelines Section 15378, and even if it were a project, it would be categorically exempt in accordance with CEQA Guidelines Sections 15301 (maintenance, repair or minor alteration of an existing facility and involves negligible or no expansion of an existing use) and 15061(b)(3) (general rule that CEQA only applies to projects that may have a significant effect on the environment); and
- B. Accept the Electrical Easement and authorize the Mayor to execute the Certificate of Acceptance.

9. Police Department

Loan Vehicle Use Agreement with National Insurance Crime Bureau

Recommendation:

- A. Find that approval of the proposed action is exempt from California Environmental Quality Act (“CEQA”) review, because it is a continuing administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a “project” as defined by CEQA Guidelines section 15378; and
- B. Approve and authorize the Police Chief to execute a vehicle use agreement with the National Insurance Crime Bureau (NICB) for continued participation in the loan vehicle program.

10. Public Utilities

Process of Appointment of Directors to the Central Basin Municipal Water District's Board of Directors

Recommendation:

- A. Find that approval of the proposed action is exempt from California Environmental Quality Act (CEQA) review because it is an administrative activity that will not result in direct or indirect physical changes in the environment and, therefore, does not constitute a “project” as defined by CEQA Guidelines § 15378;

B. Adopt a resolution authorizing the City of Vernon's participation in the process of appointment of Directors to the Central Basin Municipal Water District's Board of Directors; and

C. Ratify the City Administrator's nomination of Noe Negrete, Director of Public Works and City Engineer for the City of Santa Fe Springs, to serve as a Director representing large purveyors on the Central Basin Municipal Water District's Board.

11. Public Utilities

Quitclaim Deeds for Easements with Renewable Resources Group

Recommendation:

A. Find that approval of the proposed action is exempt from California Environmental Quality Act ("CEQA") review, because it is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines section 15378; and

B. Approve and authorize the Mayor to execute the Quitclaim Deeds with Renewable Resources Group ("RRG"), to release the encumbrance of easements and quitclaims to ReNu Resources LLC all right, title, and interest that the City of Vernon has or may have in the Easement Property and Easement as defined in the Quitclaim Deeds.

NEW BUSINESS

12. City Administration

Services Agreement with Southeast Rio Vista Family YMCA (a branch of the YMCA of Metropolitan Los Angeles) for Community Based Wellness Programming for the City of Vernon

Recommendation:

A. Find that approval of the Services Agreement with YMCA Metropolitan Los Angeles/Southeast-Rio Vista Family YMCA is exempt from California Environmental Quality Act ("CEQA") review, because it is an administrative action that will not result in direct or indirect physical changes in the environment and, therefore, does not constitute a "project" as defined by CEQA Guidelines section 15378; and

B. Approve and authorize the City Administrator to execute the Services Agreement with the YMCA Metropolitan Los Angeles/Southeast-Rio Vista Family YMCA ("YMCA"), in substantially the same form as submitted, for a one-year term in an amount not-to-exceed \$153,519, for community based wellness programming for the City of Vernon.

City Administrator Fandino presented the staff report.

MOTION

Council Member Menke moved and Mayor Pro Tem Lopez seconded a motion to: A. Find that approval of the Services Agreement with YMCA Metropolitan Los Angeles/Southeast-Rio Vista Family YMCA is exempt from California Environmental Quality Act ("CEQA") review, because it is an administrative action that will not result in direct or indirect physical changes in the environment and, therefore, does not constitute a "project" as defined by CEQA Guidelines section 15378; and B. Approve and authorize the City Administrator to execute the Services Agreement with the YMCA Metropolitan Los Angeles/Southeast-Rio Vista Family YMCA ("YMCA"), in substantially the same

form as submitted, for a one-year term in an amount not-to-exceed \$153,519, for community based wellness programming for the City of Vernon. The question was called and the motion carried unanimously.

13. Public Utilities

City Contract No. LP-0510 with A.M. Ortega Construction, Inc. for the 26th Street Bridge Gas Pipeline and Casing Installation

Recommendation:

A. Find that the proposed action is categorically exempt from California Environmental Quality Act (CEQA) review, in accordance with CEQA Guidelines §15301, because the project consists of the maintenance, repair or minor alteration of an existing facilities and involves negligible or no expansion of an existing use;

B. Accept the sole bid from A.M. Ortega Construction, Inc., (“Ortega”) as the lowest responsive and responsible bidder;

C. Approve and authorize the City Administrator to execute the Construction Contract with Ortega, in substantially the same form as submitted herewith, in an amount not to exceed \$404,159.00 for the 26th Street Bridge Gas Pipeline and Casing Installation; and

D. Authorize a contingency amount of \$45,841.00 in the event of an unexpected changed condition in the project and grant authority to the City Administrator to issue Change Orders for an amount up to the contingency amount, if necessary. At approximately 11% of the total contract value, the contingency amount requested is typical for this type and size of project.

Public Utilities General Manager Alemu presented the staff report.

MOTION

Mayor Pro Tem Lopez moved and Council Member Davis seconded a motion to: A. Find that the proposed action is categorically exempt from California Environmental Quality Act (CEQA) review, in accordance with CEQA Guidelines §15301, because the project consists of the maintenance, repair or minor alteration of an existing facilities and involves negligible or no expansion of an existing use; B. Accept the sole bid from A.M. Ortega Construction, Inc., (“Ortega”) as the lowest responsive and responsible bidder; C. Approve and authorize the City Administrator to execute the Construction Contract with Ortega, in substantially the same form as submitted herewith, in an amount not to exceed \$404,159.00 for the 26th Street Bridge Gas Pipeline and Casing Installation; and D. Authorize a contingency amount of \$45,841.00 in the event of an unexpected changed condition in the project and grant authority to the City Administrator to issue Change Orders for an amount up to the contingency amount, if necessary. At approximately 11% of the total contract value, the contingency amount requested is typical for this type and size of project. The question was called and the motion carried unanimously.

ORAL REPORTS

City Administrator Reports on Activities and Other Announcements

City Administrator Fandino provided an update on recent Vernon Police Department and Fire Department activities. He discussed meetings regarding the City's bond financing rating. Public Utilities General Manager Alemu and Finance Director Williams discussed a potential upgrade in the City's rating and positive impressions of the City.

City Administrator Fandino reported on the California Municipal Utilities Association meeting and discussions with legislators regarding pump storage. He stated Vernon received the Tree City USA designation and staff was completing the planting of 200 trees. He stated the Council and staff would be delivering books to Vernon Elementary School students and would be participating in "Read Across America". He announced an Easter event to be scheduled in March.

City Council Reports on Activities (including AB1234), Announcements, or Directives to Staff.

Mayor Ybarra reported that Council attended the Independent Cities Association Annual Winter Seminar and the fiscal impact to be \$1430.00 per Council Member

RECESS

Mayor Ybarra recessed the meeting to Closed Session at 9:30 a.m.

CLOSED SESSION

14. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Government Code Section 54956.8

Assessor's Parcel Numbers: 6304-007-900 and 6314-033-901

Agency Negotiators: Carlos Fandino, City Administrator

Negotiating Party: Los Angeles County Flood Control District

Under Negotiation: Price and Terms of Payment

15. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (3 cases)

Government Code Section 54956.9(d)(1)

Bicent (California) Malburg LLC et al. v. City of Vernon et al.,

Los Angeles Superior Court Case No. 19STCV08859 and JAMS Reference No. 1100107175

City of Vernon v. Bicent (California) Malburg LLC

Los Angeles Superior Court Case No. 19STCP02411 and JAMS Reference No. 1220062657

Vernon Professional Firefighters Association v. City of Vernon
Public Employment Relations Board Unfair Practice Charge No. LA-CE-1423-M

16. CONFERENCE WITH LABOR NEGOTIATORS

Government Code Section 54957.6

Agency Designated Representative: Carlos Fandino, City Administrator

Employee Organizations: Vernon Professional Firefighters Association, and
Vernon Fire Management Association

17. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Threat of Litigation

Government Code Section 54956.9(e)(5)

Number of potential cases: 1

18. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant Exposure to Litigation

Government Code Section 54956.9(d)(2)

Number of potential cases: 1

Facts and Circumstances: Pursuant to Government Code Section 54956.9(e)(3), the City has received written communication threatening litigation on behalf of the Vernon Fire Management Association, which communication is made available for public inspection pursuant to Section 54957.5.

RECONVENE

At 9:45 a.m., Mayor Ybarra adjourned Closed Session and reconvened the regular meeting.

Senior Deputy City Attorney Byun reported that City Council unanimously approved an Approval of Just Compensation with respect to Assessor's Parcel Numbers 6304-007-900 and 6314-033-901 - Closed Session Item No. 14 – Conference with Real Property Negotiators

ADJOURNMENT

Mayor Ybarra adjourned the meeting at 9:45 a.m.

MELISSA YBARRA, Mayor

ATTEST:

LISA POPE, City Clerk
(seal)

**MINUTES
VERNON CITY COUNCIL
SPECIAL MEETING
WEDNESDAY, FEBRUARY 5, 2020
COUNCIL CHAMBER, 4305 SANTA FE AVENUE**

CALL TO ORDER

Mayor Ybarra called the meeting to order at 5:45 p.m.

ROLL CALL

PRESENT: Melissa Ybarra, Mayor
 Leticia Lopez, Mayor Pro Tem
 William Davis, Council Member
 Carol Menke, Council Member
 Diana Gonzales, Council Member

STAFF PRESENT:

 Carlos Fandino, City Administrator (via telephone conference)
 Hema Patel, City Attorney
 Lisa Pope, City Clerk

CHANGES TO THE AGENDA

None.

PUBLIC COMMENT

None.

RECESS

Mayor Ybarra recessed the meeting to Closed Session at 5:46 p.m.

CLOSED SESSION

- 1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**
 Threat of Litigation
 Government Code Section 54956.9(e)(5)
 Number of potential cases: 1

RECONVENE

At 6:33 p.m., Mayor Ybarra adjourned Closed Session and reconvened the special meeting.

City Attorney Patel reported that the Council discussed the item listed on the Closed Session agenda and took no reportable action.

ADJOURNMENT

Mayor Ybarra adjourned the meeting at 6:33 p.m.

MELISSA YBARRA, Mayor

ATTEST:

LISA POPE, City Clerk
(seal)

City Council Agenda Item Report

Agenda Item No. COV-62-2020

Submitted by: John Lau

Submitting Department: Finance/ Treasury

Meeting Date: February 18, 2020

SUBJECT

City Payroll Warrant Register

Recommendation:

Approve City Payroll Account Warrant Register No. 764 for the period of January 1 through January 31, 2020, which totals \$4,389,718.45 and consists of ratification of direct deposits, checks and taxes totaling \$3,054,709.01 and ratification of checks and electronic fund transfers (EFT) for payroll related disbursements totaling \$1,335,009.44 paid through operating bank account.

Background:

Section 2.13 of the Vernon Municipal Code indicates the City Treasurer, or an authorized designee, shall prepare warrants covering claims or demands against the City which are to be presented to City Council for its audit and approval. Pursuant to the aforementioned code section, the City Treasurer has prepared City Payroll Account Warrant Register No. 764 covering claims and demands presented during the period of January 1 through January 31, 2020, drawn, or to be drawn, from East West Bank for City Council approval.

Fiscal Impact:

The fiscal impact of approving City Payroll Warrant Register No. 764, totals \$4,389,718.45. The Finance Department has determined that sufficient funds to pay such claims/demands, are available in the respective accounts referenced on City Payroll Warrant Register No. 764.

Attachments:

1. [City Payroll Account Warrant Register No. 764](#)

PAYROLL WARRANT REGISTER
City of Vernon

No. **764** Month of **February 2020**

I hereby Certify: that claims or demands covered by the above listed warrants have been audited as to accuracy and availability of funds for payments thereof; and that said claims or demands are accurate and that funds are available for payments thereof.

This is to certify that the claims or demands covered by the above listed warrants have been audited by the City Council of the City of Vernon and that all of said warrants are approved for payments



Scott A. Williams
Director of Finance/City Treasurer

Date: 2/6/2020

DATE

DATE

Payrolls reported for the month of January:

12/08/19 - 12/21/19, Paydate 01/02/20
 12/08/19 - 12/21/19, Paydate 01/02/20
 01/02/20 - 01/02/20, Paydate 01/02/20
 01/08/20 - 01/08/20, Paydate 01/08/20
 12/22/19 - 01/04/20, Paydate 01/16/20
 01/05/20 - 01/18/20, Paydate 01/30/20
 01/05/20 - 01/18/20, Paydate 01/30/20
 01/30/20 - 01/30/20, Paydate 01/30/20

Payment Method	Date	Payment Description	Amount
CHECKS	01/02/20	Net payroll, checks	\$ 14,032.79
ACH	01/02/20	Net payroll, direct deposits	769,813.57
ACH	01/02/20	Payroll taxes	217,769.28
ACH	01/02/20	Net payroll, direct deposits	7,420.80
ACH	01/02/20	Payroll taxes	3,382.31
ACH	01/02/20	Net payroll, direct deposits	10,104.42
ACH	01/02/20	Payroll taxes	4,550.24
ACH	01/08/20	Net payroll, direct deposits	1,008.58
ACH	01/08/20	Payroll taxes	29.68
CHECKS	01/16/20	Net payroll, checks	15,605.69
ACH	01/16/20	Net payroll, direct deposits	756,933.49
ACH	01/16/20	Payroll taxes	211,904.68
CHECKS	01/30/20	Net payroll, checks	11,118.83
ACH	01/30/20	Net payroll, direct deposits	765,930.31
ACH	01/30/20	Payroll taxes	212,701.95
CHECKS	01/30/20	Net payroll, checks	139.90
ACH	01/30/20	Net payroll, direct deposits	3,077.80
ACH	01/30/20	Payroll taxes	1,449.00
CHECKS	01/30/20	Net payroll, direct deposits	32,913.87
ACH	01/30/20	Payroll taxes	14,821.82
Total net payroll and payroll taxes			<u>3,054,709.01</u>

604653	01/02/20	Franchise Tax Board	2,195.72
604672	01/02/20	U.S. Dept. of Education	408.74
9288	01/02/20	Vernon Police Officers Benefit Association	1,971.60
9289	01/02/20	IBEW Union Dues	3,517.36
9290	01/02/20	Vernon Firemen's Association	2,613.00
9291	01/02/20	ICMA Retirement Trust 457	38,658.73
9223	01/09/20	Blue Shield of California	393,825.03
9224	01/09/20	MetLife - Group Benefits	30,198.36
9225	01/09/20	Mutual of Omaha	11,173.03
9241	01/09/20	Colonial	5,949.94
9245	01/10/20	AFLAC	11,543.90
9247	01/10/20	MES Vision	4,750.61
9294	12/31/19	CalPERS	240,123.78
9295	01/02/20	State Disbursement Unit	2,191.37
604763	01/16/20	Franchise Tax Board	1,206.31
604788	01/16/20	U.S. Dept. of Education	408.74
9296	01/16/20	Vernon Police Officers Benefit Association	1,971.60
9297	01/16/20	Teamsters Local 911	2,340.00
9298	01/16/20	Vernon Firemen's Association	2,613.00
9299	01/16/20	ICMA Retirement Trust 457	38,807.67
9302	01/22/20	CalPERS	246,360.34
9303	01/21/20	State Disbursement Unit	2,191.37

Payment Method	Date	Payment Description	Amount
604874	01/30/20	Franchise Tax Board	1,206.31
604889	01/30/20	U.S. Dept. of Education	408.74
9337	01/30/20	Vernon Police Officers Benefit Association	1,971.60
9338	01/30/20	Vernon Firemen's Association	2,613.00
9339	01/30/20	ICMA Retirement Trust 457	38,712.49
9342	02/03/20	CalPERS	242,885.73
9343	02/04/20	State Disbursement Unit	2,191.37
Payroll related disbursements, paid through Operating bank account			<u>1,335,009.44</u>
Total net payroll, taxes, and related disbursements			<u><u>\$ 4,389,718.45</u></u>

City Council Agenda Item Report

Agenda Item No. COV-63-2020

Submitted by: John Lau

Submitting Department: Finance/ Treasury

Meeting Date: February 18, 2020

SUBJECT

Operating Account Warrant Register

Recommendation:

Approve Operating Account Warrant Register No. 39, for the period of January 19 through February 1, 2020, which totals \$6,655,484.72 and consists of ratification of electronic payments totaling \$6,366,351.32 and ratification of the issuance of early checks totaling \$289,133.40.

Background:

Section 2.13 of the Vernon Municipal Code indicates the City Treasurer, or an authorized designee, shall prepare warrants covering claims or demands against the City which are to be presented to City Council for its audit and approval. Pursuant to the aforementioned code section, the City Treasurer has prepared Operating Account Warrant Register No. 39 covering claims and demands presented during the period of January 19 through February 1, 2020, drawn, or to be drawn, from East West Bank for City Council approval.

Fiscal Impact:

The fiscal impact of approving Operating Account Warrant Register No. 39, totals \$6,655,484.72. The Finance Department has determined that sufficient funds to pay such claims/demands, are available in the respective accounts referenced on Operating Account Warrant Register No. 39.

Attachments:

1. [Operating Account Warrant Register No. 39](#)



**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

I hereby certify that claims and/or demands included in above listed warrant register have been audited for accuracy and availability of funds for payments and that said claims and/or demands are accurate and that the funds are available for payments thereof.



Scott Williams

Director of Finance / City Treasurer

Date: 2/6/2020

This is to certify that the claims or demands covered by the above listed warrants have been audited by the City Council of the City of Vernon and that all of said warrants are approved for payments except Warrant Numbers:

CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
001490 - ALL CITY MANAGEMENT SERVICES	011.1031.594200	\$ 1,989.90	School Crossing Guard Services	65581		01/22/2020	9263	\$ 1,989.90
005831 - ARKADIN, INC	011.9019.560010	\$ 54.19	Conferencing Charges	USINV191282050		01/22/2020	9264	\$ 54.19
001479 - BLOOMBERG FINANCE, LP	055.9200.596200	\$ 5,910.00	Bloomberg Terminal	5605290992		01/22/2020	9265	\$ 5,910.00
002426 - CH2M HILL ENGINEERS, INC	055.9000.596200	\$ 7,882.10	Env Support Services	697275CH015		01/22/2020	9266	\$ 7,882.10

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
004594 - DION & SONS, INC	011.1033.570000	\$ 703.64	Unleaded Fuel~	742284	011.0014193			
	011.1033.570000	\$ 55.03	FET Exempt Lust Only	742284	011.0014193			
	011.1033.570000	\$ 0.58	Fed Oil Spill Recovery	742284	011.0014193			
	011.1033.570000	\$ 0.24	CA Lead Poisoning	742284	011.0014193			
	011.1033.570000	\$ 1.05	AB32	742284	011.0014193			
	011.1033.570000	\$ 125.39	State Excise Tax	742284	011.0014193			
	011.1033.570000	\$ 1.15	LAB Tax .13%	742284	011.0014193			
	011.1033.570000	\$ 39.98	Fuel Sales Tax 4.50%	742284				
	011.1033.570000	\$ 1,017.78	Diesel Fuel Station #76	742285	011.0014193			
	011.1033.570000	\$ 0.40	FET Exempt Lust Only	742285	011.0014193			
	011.1033.570000	\$ 0.86	Fed Oil Spill Recovery	742285	011.0014193			
	011.1033.570000	\$ 1.28	AB32	742285	011.0014193			
	011.1033.570000	\$ 7.50	Environmental Compliance Fee	742285	011.0014193			
	011.1033.570000	\$ 9.95	Fuel Surcharge	742285	011.0014193			
	011.1033.570000	\$ 1.54	Lab Tax .13%	742285	011.0014193			
	011.1033.570000	\$ 144.25	State Excise Tax	742285	011.0014193			
	011.1033.570000	\$ 157.40	Clear Diesel Sales Tax	742285				
	011.1033.570000	\$ 1,600.45	Diesel Fuel~	7422861	011.0014193			
	011.1033.570000	\$ 0.63	FET Exempt Lust Only	7422861	011.0014193			
	011.1033.570000	\$ 1.35	Fed Oil Spill Recovery	7422861	011.0014193			
	011.1033.570000	\$ 2.02	AB32	7422861	011.0014193			
	011.1033.570000	\$ 7.50	Environmental Compliance Fee	7422861	011.0014193			
	011.1033.570000	\$ 9.95	Fuel Surcharge	7422861	011.0014193			

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
004594 - DION & SONS, INC	011.1033.570000	\$ 2.40	Lab Tax .13%	7422861	011.0014193			
	011.1033.570000	\$ 226.84	State Excise Tax	7422861	011.0014193			
	011.1033.570000	\$ 246.56	Clear Diesel Sales Tax	7422861				
	011.1033.570000	\$ 1,271.52	Diesel Fuel~	742287	011.0014193			
	011.1033.570000	\$ 0.50	FET Exempt Lust Only	742287	011.0014193			
	011.1033.570000	\$ 1.07	Fed Oil Spill Recovery	742287	011.0014193			
	011.1033.570000	\$ 1.60	AB32	742287	011.0014193			
	011.1033.570000	\$ 7.50	Environmental Compliance Fee	742287	011.0014193			
	011.1033.570000	\$ 9.95	Fuel Surcharge	742287	011.0014193			
	011.1033.570000	\$ 1.91	Lab Tax .13%	742287	011.0014193			
	011.1033.570000	\$ 180.22	State Excise Tax	742287	011.0014193			
	011.1033.570000	\$ 196.24	Clear Diesel Sales Tax	742287				
						01/22/2020	9267	\$ 6,036.23
000529 - EPIC LAND SOLUTIONS, INC	011.1004.595200	\$ 13,781.25	Infrastructure Valuation Services	121919074				
	011.1004.595200	\$ 2,987.50	Infrastructure Valuation Services	12919074B				
						01/22/2020	9268	\$ 16,768.75
005034 - KRONOS INCORPORATED	011.9019.590110	\$ 628.85	Software & Hardware Usage Fees	11514555				
	011.9019.590110	\$ 853.94	Software & Hardware Usage Fees	11526975				
	011.9019.590110	\$ 795.73	Software & Hardware Usage Fees	11540731				
						01/22/2020	9269	\$ 2,278.52
005356 - HEMA PATEL	011.1024.596550	\$ 849.73	Reimb. 2020 CA State Bar Dues	010720				
						01/22/2020	9270	\$ 849.73

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
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ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
004527 - WITTMAN ENTERPRISES, LLC	011.1033.596200	\$ 2,132.61	Billing Services	1909069		01/22/2020	9271 \$	2,132.61
004840 - A.M. ORTEGA CONSTRUCTION, INC	056.5600.900000	\$ 19,480.00	Gas Construction & Repair Support	737427		01/23/2020	9272 \$	19,480.00
003053 - LEVEL 3 COMMUNICATIONS, LLC	057.1057.500173	\$ 4,595.53	Upstream Internet Access Services	88221693		01/23/2020	9273 \$	4,595.53
002459 - PORT CANAVERAL PWR CONSULTANTS	055.9000.596200	\$ 2,250.00	Consulting Services	VERNPVHDECEMBE R2019		01/23/2020	9274 \$	2,250.00
005784 - ZONES, INC	011.9019.520010	\$ 2,293.86	Quantum - LTO Ultrium 7 x 20 - 6 TB -	K14380300101	011.0014198			
	011.9019.520010	\$ 217.92	Sales Tax 9.5%	K14380300101		01/23/2020	9275 \$	2,511.78
002468 - DEPARTMENT OF WATER & POWER	055.9200.500170	\$ 21,870.00	Electric Energy Transactions	GA195600				
	055.9200.500260	\$ 575.00	Electric Energy Transactions	GA195600		01/27/2020	9276 \$	22,445.00
002517 - SO CAL PUBLIC POWER AUTHORITY	055.9200.500150	\$ 39,606.00	Variable Cost 12/19	PV0120				
	055.122100	\$ 10,000.00	PSF Cost 01/20	PV0120		01/27/2020	9277 \$	49,606.00

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
006298 - CIMA ENERGY, LP	055.9200.500160	\$ 125,582.50	Natural Gas 12/19	121982588043441 2		01/27/2020	9278	\$ 125,582.50
000153 - CITIGROUP ENERGY, INC	055.9200.500160	\$ 60,760.00	Natural Gas 12/19	90342561		01/27/2020	9279	\$ 60,760.00
005388 - CONOCO PHILLIPS COMPANY	055.9200.500160	\$ 2,820.00	Natural Gas 12/19	131946		01/27/2020	9280	\$ 2,820.00
006086 - MACQUARIE ENERGY, LLC	055.9200.500160	\$ 966,201.25	Natural Gas 12/19	GASI00130505		01/27/2020	9281	\$ 966,201.25
001581 - THE GAS COMPANY	055.9200.550022	\$ 158,746.75	Period: 12/19	010820		01/27/2020	9282	\$ 158,746.75
002517 - SO CAL PUBLIC POWER AUTHORITY	055.9200.500154	\$ 106,115.95	Antelope DSR 1 Solar Project	DSR10120		01/27/2020	9283	\$ 106,115.95
002227 - US DEPARTMENT OF ENERGY	055.9200.500150	\$ 29,647.96	Boulder Canyon Project Charges 12/19	GG1766W1219		01/27/2020	9284	\$ 45,800.62
	055.9200.500180	\$ 16,152.66	Boulder Canyon Project Charges 12/19	GG1766W1219				
002242 - CA DEPARTMENT OF TAX & FEE ADM	055.200230	\$ 82,822.83	Electrical Energy Surcharge 10/19 -	011420		01/28/2020	9285	\$ 82,822.83

CITY OF VERNON
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ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
001605 - LUZ MARTINEZ	011.1048.530015	\$ 265.35	Reimb. Possessory Interest Tax FY 2019	012220		01/24/2020	9286	\$ 265.35
002517 - SO CAL PUBLIC POWER AUTHORITY	055.9000.596200	\$ 6,875.00	Resolution Billing	120				
	055.9000.596700	\$ 629.38	Resolution Billing	120				
	055.9200.596200	\$ 972.20	Resolution Billing	120		01/27/2020	9287	\$ 8,476.58

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
002412 - CALIFORNIA ISO	055.9200.500150	\$ -2,955.48	Recalculation Charges 12/19	202001213144379				
				597				
	055.9200.500170	\$ 58,943.79	Recalculation Charges 12/19	202001213144379				
				597				
	055.9200.500190	\$ 336.27	Recalculation Charges 12/19	202001213144379				
				597				
	055.9200.500210	\$ 18.17	Recalculation Charges 12/19	202001213144379				
				597				
	055.9200.500240	\$ 352.01	Recalculation Charges 12/19	202001213144379				
				597				
	055.9200.500150	\$ 129,482.68	Initial Charges 01/20	202001213144379				
				597				
	055.9200.500190	\$ 2,496.12	Initial Charges 01/20	202001213144379				
				597				
	055.9200.500210	\$ 8,626.10	Initial Charges 01/20	202001213144379				
				597				
	055.9200.500151	\$ -0.97	Initial Charges 01/20	202001213144379				
				597				
	055.9200.500170	\$ -15,041.44	Initial Charges 01/20	202001213144379				
				597				
	055.9200.500150	\$ -19,602.97	Recalculation Charges 01/20	202001213144379				
				597				
	055.9200.500170	\$ -45.23	Recalculation Charges 01/20	202001213144379				
				597				
	055.9200.500190	\$ -586.77	Recalculation Charges 01/20	202001213144379				
				597				
	055.9200.500210	\$ -272.57	Recalculation Charges 01/20	202001213144379				
				597				

CITY OF VERNON
OPERATING ACCOUNT
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FEBRUARY 18, 2020

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
						01/27/2020	9304	\$ 161,749.71
002060 - CALPINE ENERGY SERVICES, L.P.	055.9200.500160	\$ 32,950.00	Natural Gas 12/19	56827		01/27/2020	9305	\$ 32,950.00
006262 - MERCURIA ENERGY AMERICA, INC	055.9200.500160	\$ 662,515.00	Natural Gas 12/19	3032259		01/27/2020	9306	\$ 662,515.00
001490 - ALL CITY MANAGEMENT SERVICES	011.1031.594200	\$ 950.73	School Crossing Guard Services	65749		01/28/2020	9307	\$ 950.73
001413 - BLX GROUP, LLC	055.9000.595200	\$ 12,000.00	Financial Advisory Services~	4199457010220		01/28/2020	9308	\$ 12,000.00
000447 - CDW GOVERNMENT, INC	011.9019.520010	\$ 2,073.50	Kingston KC600 - solid state drive -	VXQ0665	011.0014187	01/28/2020	9309	\$ 2,270.48
	011.9019.520010	\$ 196.98	Sales Tax 9.5%	VXQ0665		01/28/2020	9310	\$ 6,577.85
002426 - CH2M HILL ENGINEERS, INC	055.9000.596200	\$ 6,577.85	Env Support Services	697275CH016		01/28/2020	9311	\$ 6,219.00
003705 - CYBERNETICS	011.9019.520010	\$ 6,120.00	2.4TB SAS, 10K, 12G/S, 2.5-in.	803752	011.0014199			
	011.9019.520010	\$ 99.00	Freight	803752	011.0014199	01/28/2020		

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
004665 - ELEMENT MARKETS RENEWABLE NATU	055.9200.500162	\$ 103,928.93	Biomethane Gas 12/19	RC2599				
	055.9200.500162	\$ 147,860.75	Biomethane Gas 12/19	RC2600		01/28/2020	9312	\$ 251,789.68
000399 - GARVEY EQUIPMENT COMPANY	011.1046.520000	\$ 66.66	Parts & Services~	125011	011.0013874			
	011.1046.520000	\$ 17.50	Parts & Services~	125012	011.0013874	01/28/2020	9313	\$ 84.16
004500 - ICE US OTC COMMODITY MARKETS,	055.9200.596200	\$ 1,250.00	OTC Commission Adjustment	1219001688088		01/28/2020	9314	\$ 1,250.00
006190 - IVANTI, INC	011.9019.590110	\$ 759.24	Product Code: ISEC-P-SV-M1~	90787711	011.0014146			
	011.9019.590110	\$ 1,333.08	Product Code: ISEC-P-WS-M1~	90787711	011.0014146	01/28/2020	9315	\$ 2,092.32
006198 - JRM	055.8100.596200	\$ 8,446.00	Security Services	3948		01/28/2020	9316	\$ 8,446.00
005787 - MILLENNIUM COMPUTER PRODUCTS	011.9019.590110	\$ 3,069.76	ANNUAL BASIC MNT RNWL VAS ENT VLIC	45350	011.0014206			
	011.9019.590110	\$ 1,239.30	VEEAM AVAILABILITY SUITE VUL MLIC SUB	45350	011.0014206	01/28/2020	9317	\$ 4,309.06

**CITY OF VERNON
OPERATING ACCOUNT
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ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
001079 - SIEMENS MOBILITY, INC	011.1043.590000	\$ 3,239.00	Traffic Signal Maintenance	5610187392				
	011.1043.590000	\$ 8,520.77	Traffic Signal Maintenance	5610201688				
	011.1043.590000	\$ 1,697.01	Traffic Signal Maintenance	5620027740				
						01/28/2020	9318	\$ 13,456.78
006120 - WESTERN ALLIED CORPORATION	011.1049.590000	\$ 516.00	Air Conditioner Maintenance	625883				
						01/28/2020	9319	\$ 516.00
000249 - FEDEX	011.1026.520000	\$ 25.41	Period: 12/19	686640967				
	020.1084.520000	\$ 30.27	Period: 12/19	687501347				
	011.1003.520000	\$ 59.64	Period: 01/20	689368757				
	011.1026.520000	\$ 66.87	Period: 01/20	689368757				
						01/21/2020	9320	\$ 182.19
001617 - UPS	011.1033.520000	\$ 31.00	Period: 01/20	933312010				
	011.1041.520000	\$ 14.32	Period: 01/20	933312010				
	011.1041.520000	\$ 31.29	Period: 01/20	933312020				
	011.1041.520000	\$ 29.00	Period: 12/19	933312519				
	055.8000.590000	\$ 192.88	Period: 12/19	933312529				
	011.1033.520000	\$ 13.75	Period: 12/19	933312529				
	011.1041.520000	\$ 14.50	Period: 12/19	933312529				
						01/21/2020	9321	\$ 326.74

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
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ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
001552 - HOME DEPOT CREDIT SERVICES	011.1049.520000	\$ 58.28	Small Tools & Plumbing Hardware~	3262332	011.0013892	01/22/2020	9322	\$ 58.28
002190 - OFFICE DEPOT	011.1003.520000	\$ 358.14	Supplies	413570977001				
	011.1003.520000	\$ 34.02	Sales Tax 9.5%	413570977001				
	011.1026.520000	\$ 384.21	Supplies	415593682001				
	011.1026.520000	\$ 36.50	Sales Tax 9.5%	415593682001		01/22/2020	9323	\$ 812.87
000059 - SO CAL EDISON	011.1042.560000	\$ 244.66	Period: 12/19	010320				
	055.9200.560010	\$ 652.66	Period: 12/19	010320(2)				
	055.8100.560010	\$ 19.19	Period: 12/19	123119				
	011.1043.560000	\$ 35.08	Period: 12/19	123119(2)		01/22/2020	9324	\$ 951.59
002190 - OFFICE DEPOT	011.1031.520000	\$ 222.10	Supplies	415810164001				
	011.1031.520000	\$ 21.10	Sales Tax 9.5%	415810164001		01/23/2020	9325	\$ 243.20
001552 - HOME DEPOT CREDIT SERVICES	011.1043.520000	\$ 1,285.65	Building Materials & Hardware~	112719_MULTIPLE(2)	011.0013881			
	011.1048.520000	\$ 2,665.78	Building Materials & Hardware~	112719_MULTIPLE(2)	011.0013881			
	011.1049.520000	\$ 1,488.00	Building Materials & Hardware~	112719_MULTIPLE(2)	011.0013881	01/24/2020	9326	\$ 5,439.43

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
005067 - BIOFUEL GENERATION SERVICES, L	055.9200.500162	\$ 29,248.25	Biomethane	RPS122019		01/30/2020	9328	\$ 29,248.25
002051 - EFRAIN SANDOVAL	055.9200.596500	\$ 36.46	Resource Planning Working Group	012320		01/30/2020	9329	\$ 36.46
003055 - JOAQUIN LEON	011.1004.520000	\$ 12.91	Purchase of Form 1096	012320		01/30/2020	9330	\$ 12.91
003584 - WILLIAMS DATA MANAGEMENT	011.1003.596200	\$ 1,524.02	Storage Services	492639		01/30/2020	9331	\$ 1,524.02
002412 - CALIFORNIA ISO	055.9200.500240	\$ 80,209.86	RC Services Charge Allocation	201912303144178 427		01/31/2020	9332	\$ 80,209.86

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

ELECTRONIC

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	PAYMENT NUMBER	PAYMENT AMOUNT
000714 - CALPERS	011.1001.502020	\$ 1,259.95	Monthly Expense of UAL~	100000015908104				
	011.1002.502020	\$ 8,106.46	Monthly Expense of UAL~	100000015908104				
	011.1003.502020	\$ 5,111.11	Monthly Expense of UAL~	100000015908104				
	011.1004.502020	\$ 18,542.63	Monthly Expense of UAL~	100000015908104				
	011.1024.502020	\$ 11,054.26	Monthly Expense of UAL~	100000015908104				
	011.1026.502020	\$ 8,534.36	Monthly Expense of UAL~	100000015908104				
	011.1031.502020	\$ 14,572.60	Monthly Expense of UAL~	100000015908104				
	011.1033.502020	\$ 3,993.80	Monthly Expense of UAL~	100000015908104				
	011.1040.502020	\$ 6,180.88	Monthly Expense of UAL~	100000015908104				
	011.1041.502020	\$ 2,210.85	Monthly Expense of UAL~	100000015908104				
	011.1043.502020	\$ 25,912.13	Monthly Expense of UAL~	100000015908104				
	011.1046.502020	\$ 5,182.43	Monthly Expense of UAL~	100000015908104				
	011.1047.502020	\$ 2,139.53	Monthly Expense of UAL~	100000015908104				
	011.1048.502020	\$ 2,472.35	Monthly Expense of UAL~	100000015908104				
	011.1049.502020	\$ 5,134.88	Monthly Expense of UAL~	100000015908104				
	057.1057.502020	\$ 927.13	Monthly Expense of UAL~	100000015908104				
	011.1060.502020	\$ 7,369.51	Monthly Expense of UAL~	100000015908104				
	020.1084.502020	\$ 19,945.21	Monthly Expense of UAL~	100000015908104				
	056.5600.502020	\$ 7,393.28	Monthly Expense of UAL~	100000015908104				
	055.7100.502020	\$ 3,494.57	Monthly Expense of UAL~	100000015908104				
	055.7200.502020	\$ 523.00	Monthly Expense of UAL~	100000015908104				
	055.8000.502020	\$ 7,916.28	Monthly Expense of UAL~	100000015908104				
	055.8100.502020	\$ 21,181.39	Monthly Expense of UAL~	100000015908104				

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ELECTRONIC

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000714 - CALPERS	055.9000.502020	\$ 14,192.23	Monthly Expense of UAL~	100000015908104				
	011.9019.502020	\$ 7,131.78	Monthly Expense of UAL~	100000015908104				
	055.9100.502020	\$ 14,073.38	Monthly Expense of UAL~	100000015908104				
	055.9200.502020	\$ 13,170.02	Monthly Expense of UAL~	100000015908104				
	011.1031.502020	\$ 162,743.33	Monthly Expense of UAL~	100000015908114				
	011.1033.502020	\$ 278,534.67	Monthly Expense of UAL~	100000015908114				
						01/29/2020	9333	\$ 679,004.00
000714 - CALPERS	011.1004.596200	\$ 48.18	Late Payment Interest	122319		01/10/2020	9334	\$ 48.18
001552 - HOME DEPOT CREDIT SERVICES	020.1084.520000	\$ 430.03	Building Materials & Hardware~	112519_MULTIPLE	011.0013881			
	056.5600.520000	\$ 53.66	Building Supplies ~	121619_MULTIPLE	056.0000574			
	011.1048.520000	\$ 323.25	Small Tools & Plumbing Hardware~	122319_MULTIPLE	011.0013892			
	011.1049.520000	\$ 3,893.51	Small Tools & Plumbing Hardware~	122319_MULTIPLE	011.0013892			
	011.1021.550000	\$ 66.13	Small Tools & Plumbing Hardware~	122319_MULTIPLE	011.0013892			
	055.8400.590000	\$ 1,059.82	Small Tools, Plumbing, and Hardware	122619_MULTIPLE	055.0002748			
						01/30/2020	9335	\$ 5,826.40
000714 - CALPERS	011.1026.502096	\$ 2,692,868.00	Prefund OPEB	013120		01/31/2020	9336	\$ 2,692,868.00
TOTAL ELECTRONIC								<u>\$ 6,366,351.32</u>

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004935 - CAINE & WEINER COMPANY, INC	011.1033.467100	\$ 345.00	Collection Services	603666		01/21/2020	604792	\$ 345.00
001139 - JERRY CHAVEZ JR	011.1031.596500	\$ 216.16	Sherman Block SLI Class 446-4	010920		01/21/2020	604793	\$ 216.16
003846 - CITY OF HUNTINGTON PARK	011.1031.594200	\$ 7,512.63	Prisoner Booking Log	19686		01/21/2020	604794	\$ 13,673.96
	011.1031.594200	\$ 6,161.33	Prisoner Booking Log	19687				
000038 - JEREMY CROSS	011.1031.596500	\$ 248.00	POST Management Course #7 - Module B	123019(2)		01/21/2020	604795	\$ 248.00
006191 - DATA TICKET, INC	011.1031.594200	\$ 279.69	Parking Citations Processing Service	107658		01/21/2020	604796	\$ 279.69
000346 - HDL SOFTWARE, LLC	011.9019.590110	\$ 888.14	Business License Software~	15370IN	011.0014221	01/21/2020	604797	\$ 888.14
004222 - HEATH CONSULTANTS INCORPORATED	056.5600.596700	\$ 2,190.00	Leakage Detection Training	1055020		01/21/2020	604798	\$ 2,190.00
000445 - JOBS AVAILABLE, INC	011.1026.550000	\$ 429.00	Job Ads~	2002019		01/21/2020	604799	\$ 429.00

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006592 - CAROL MENKE	011.1001.596500	\$ 118.08	League of CA Cities Annual Conference	010920				
	011.1001.596500	\$ 437.87	National League of Cities - City Summit	010920(2)				
						01/21/2020	604800	\$ 555.95
002617 - OPERATION TECHNOLOGY, INC	055.9100.590110	\$ 7,647.00	ETAP Maintenance~	57710IN	055.0002776			
						01/21/2020	604801	\$ 7,647.00
005234 - TRANSORE ITS, LLC	011.3043.900000	\$ 13,032.44	Traffic Control System Project	1901895				
						01/21/2020	604802	\$ 13,032.44
000005 - A THRONE CO, INC	020.1084.596200	\$ 84.95	Portable Restrooms	617782				
						01/23/2020	604803	\$ 84.95
005348 - AGILITY RECOVERY SOLUTIONS	011.9019.590110	\$ 415.00	Disaster Recovery Services	104284				
	011.9019.590110	\$ 415.00	Disaster Recovery Services	110583				
						01/23/2020	604804	\$ 830.00
004724 - AMERICAN LEGAL PUBLISHING CORP	011.1003.596200	\$ 1,872.46	Vernon Code of Ordinances	132243				
						01/23/2020	604805	\$ 1,872.46
001717 - AUL PIPE TUBING & STEEL, INC	011.2033.850000	\$ 405.45	FABITEMS~	150687	011.0014151			
	011.2033.850000	\$ 98.90	55.00 PCS SPPC~	150687	011.0014151			
	011.2033.850000	\$ 47.91	Sales Tax 9.5%	150687				
						01/23/2020	604806	\$ 552.26

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001798 - AUTOLIFT SERVICES, INC	011.1046.590000	\$ 1,815.00	Labor to inspect garage lifts	18583	011.0014163	01/23/2020	604807	\$ 1,815.00
004448 - BATTERY SYSTEMS, INC	011.1046.520000	\$ 926.87	Vehicle Batteries, Alternators &	5211561	011.0013870			
	011.1046.520000	\$ 636.72	Vehicle Batteries, Alternators &	5218250	011.0013870			
	011.1046.520000	\$ 223.25	Vehicle Batteries, Alternators &	5222018	011.0013870			
	011.1046.520000	\$ 95.18	Vehicle Batteries, Alternators &	5246138	011.0013870	01/23/2020	604808	\$ 1,882.02
005078 - BURKE, WILLIAMS & SORENSEN, LL	011.1024.593200	\$ 806.00	Re: Lopez, Reina v. City of Vernon	248880				
	011.1024.593200	\$ 831.04	Re: Martines, Ismael v. City of Vernon,	248881				
	011.1024.593200	\$ 11,208.94	Re: Garcia-Martinez v. City of Vernon	248882		01/23/2020	604809	\$ 12,845.98
001973 - CALIFORNIA FRAME & AXLE	011.1046.520000	\$ 65.00	Front End Repairs~	57152	011.0013871			
	011.1046.520000	\$ 140.00	Front End Repairs~	57247	011.0013871			
	011.1046.520000	\$ 140.00	Front End Repairs~	57304	011.0013871			
	011.1046.520000	\$ 108.46	Front End Repairs~	57334	011.0013871	01/23/2020	604810	\$ 453.46
000818 - CAMINO REAL CHEVROLET	011.1046.520000	\$ 76.69	Auto Parts~	32521	011.0013872			
	011.1046.520000	\$ 5.33	Auto Parts~	32995	011.0013872			
	011.1046.520000	\$ 25.51	Auto Parts~	33047	011.0013872	01/23/2020	604811	\$ 107.53

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004163 - CENTRAL FORD	011.1046.520000	\$ 115.58	Auto Parts~	347059	011.0013873			
	011.1046.520000	\$ 285.83	Auto Parts~	347121	011.0013873			
	011.1046.520000	\$ 20.64	Auto Parts~	347131	011.0013873			
	011.1046.520000	\$ 34.41	Auto Parts~	347140	011.0013873			
	011.1046.520000	\$ 70.57	Auto Parts~	347486	011.0013873			
						01/23/2020	604812	\$ 527.03
003088 - CLINICAL LAB OF SAN BERNARDINO	020.1084.500140	\$ 1,004.00	Lab Services	972336				
						01/23/2020	604813	\$ 1,004.00
006719 - COAST FITNESS	011.1002.570000	\$ 129.00	Gym Repairs	74076				
						01/23/2020	604814	\$ 129.00
001444 - COUNTY OF LOS ANGELES	011.1033.596200	\$ 1,969.29	Battalion Chief Services	C0009325				
						01/23/2020	604815	\$ 1,969.29
001336 - CURRENT WHOLESALE ELECTRIC SUP	020.1084.900000	\$ 1,685.95	Electrical Supplies~	260867	011.0013878			
	020.1084.900000	\$ 250.58	Electrical Supplies~	260868	011.0013878			
						01/23/2020	604816	\$ 1,936.53
000947 - DAILY JOURNAL CORPORATION	011.1003.550000	\$ 325.00	Publication Services	B3323272				
						01/23/2020	604817	\$ 325.00
006625 - DFM ASSOCIATES	011.1003.596300	\$ 56.84	2020 CA Election Code Book	012120				
						01/23/2020	604818	\$ 56.84

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005593 - EMPIRE OPTICAL, INC	011.1033.596200	\$ 145.12	Safety Eyewear~	7105491	011.0013979	01/23/2020	604819	\$ 145.12
003796 - FIRE APPARATUS SOLUTIONS	011.1033.570000	\$ 2,958.97	Vehicle Maintenance & Repairs	16112				
	011.1033.570000	\$ 1,479.92	Vehicle Maintenance & Repairs	16113				
	011.1033.570000	\$ 7,501.64	Vehicle Maintenance & Repairs	16114				
	011.1033.570000	\$ 296.94	Vehicle Maintenance & Repairs	16116				
	011.1033.570000	\$ 1,277.13	Vehicle Maintenance & Repairs	16117				
	011.1033.570000	\$ 613.47	Vehicle Maintenance & Repairs	16118				
	011.1033.570000	\$ 79.18	Vehicle Maintenance & Repairs	16119				
	011.1033.570000	\$ 182.43	Vehicle Maintenance & Repairs	16120				
	011.1033.570000	\$ 264.41	Vehicle Maintenance & Repairs	16121				
						01/23/2020	604820	\$ 14,654.09
006077 - GLADWELL GOVERNMENTAL SERVICES	011.1003.520000	\$ 500.00	Records Retention Legal Review	4219		01/23/2020	604821	\$ 500.00
005350 - HAUL AWAY RUBBISH SERVICE CO,	011.1048.596200	\$ 67.50	Disposal & Recycling Services	9CX02430				
	011.1049.596200	\$ 213.00	Disposal & Recycling Services	9CX02431				
	011.1043.596200	\$ 1,681.70	Disposal & Recycling Services	9CX02438		01/23/2020	604822	\$ 1,962.20
000829 - IRON MOUNTAIN	011.9019.560010	\$ 188.88	Storage Services	202047141		01/23/2020	604823	\$ 188.88

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VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
003122 - J & H AUTO BODY	011.1046.520000	\$ 134.40	paint and materials	16170	011.0014162			
	011.1046.520000	\$ 149.95	parts	16170	011.0014162			
	011.1046.590000	\$ 222.60	body shop labor	16170	011.0014162			
	011.1046.590000	\$ 176.40	paint labor	16170	011.0014162			
	011.1046.520000	\$ 29.15	Sales Tax 10.25	16170				
	011.1046.520000	\$ 1,009.19	parts	16171	011.0014164			
	011.1046.520000	\$ 95.20	paint and supplies	16171	011.0014164			
	011.1046.590000	\$ 614.40	body labor	16171	011.0014164			
	011.1046.590000	\$ 134.40	paint labor	16171	011.0014164			
	011.1046.590000	\$ 432.00	frame labor	16171	011.0014164			
	011.1046.520000	\$ 113.20	Sales Tax 10.25	16171				
						01/23/2020	604824	\$ 3,110.89
005340 - LA POOL GUYS	011.1049.590000	\$ 210.00	Pool Maintenance	3943		01/23/2020	604825	\$ 210.00
003908 - LOPEZ & LOPEZ TIRE SERVICE	011.1046.520000	\$ 231.70	Tires, Accessories & Repairs~	22639	011.0013875			
	011.1046.520000	\$ 12.00	Tires, Accessories & Repairs~	22653	011.0013875			
	011.1046.520000	\$ 15.00	Tires, Accessories & Repairs~	22655	011.0013875			
	011.1046.520000	\$ 144.10	Tires, Accessories & Repairs~	22686	011.0013875			
	011.1046.520000	\$ 15.00	Tires, Accessories & Repairs~	22708	011.0013875			
						01/23/2020	604826	\$ 417.80
006422 - MARIPOSA LANDSCAPES, INC	011.1049.590000	\$ 3,582.00	Landscape Maintenance	87389		01/23/2020	604827	\$ 3,582.00

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000304 - MCAVOY & MARKHAM ENGINEERING A	055.8000.900000	\$ 5,750.00	E37-xxxx~	16133	055.0002758			
	055.8000.900000	\$ 5,750.00	E37-xxxx~	16133	055.0002758			
	055.8000.900000	\$ 2,880.00	CENTRON, C1SDR3, CL200, ~	16133	055.0002758			
	055.8000.900000	\$ 1,366.10	Sales Tax 9.5%	16133				
						01/23/2020	604828	\$ 15,746.10
001150 - MCMASTER CARR SUPPLY COMPANY	055.8400.590000	\$ 186.60	Hardware Supplies~	18089230	055.0002743			
	055.8400.590000	\$ 847.17	Hardware Supplies~	19590120	055.0002743			
	055.8400.590000	\$ 427.04	Hardware Supplies~	20361474	055.0002743			
	055.8400.590000	\$ 43.77	Hardware Supplies~	23136671	055.0002743			
	055.8400.590000	\$ 56.47	Hardware Supplies~	23153517	055.0002743			
	055.8400.590000	\$ 2,036.97	Hardware Supplies~	24972242	055.0002743			
						01/23/2020	604829	\$ 3,598.02
000039 - MDE, INC	011.9019.590110	\$ 660.00	Hosted Maintenance Renewal with Service	8107	011.0014222			
						01/23/2020	604830	\$ 660.00

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000309 - NAPA AUTO PARTS	011.1046.520000	\$ 144.41	Auto Parts & Accessories~	5770	011.0013876			
	011.1046.520000	\$ 706.14	Auto Parts & Accessories~	6027	011.0013876			
	011.1046.520000	\$ 109.49	Auto Parts & Accessories~	6028	011.0013876			
	011.1046.520000	\$ 82.07	Auto Parts & Accessories~	6807	011.0013876			
	011.1046.520000	\$ 201.71	Auto Parts & Accessories~	6898	011.0013876			
	011.1046.520000	\$ 11.89	Auto Parts & Accessories~	6935	011.0013876			
	011.1046.520000	\$ 18.17	Auto Parts & Accessories~	6944	011.0013876			
	011.1046.520000	\$ 123.78	Auto Parts & Accessories~	7083	011.0013876			
	011.1046.520000	\$ 72.89	Auto Parts & Accessories~	8785	011.0013876			
						01/23/2020	604831	\$ 1,470.55
006613 - NCM CARWASH	011.1046.590000	\$ 72.00	Car Wash Services	1007		01/23/2020	604832	\$ 72.00
006475 - ONEPOINT HUMAN CAPITAL MGMT	011.9019.520010	\$ 215.00	Time Tracking System	46459		01/23/2020	604833	\$ 215.00

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005934 - O'REILLY AUTO PARTS	011.1046.520000	\$ 203.11	Auto Parts & Accessories~	3049251632	011.0013877			
	011.1046.520000	\$ 181.58	Auto Parts & Accessories~	3049251781	011.0013877			
	011.1046.520000	\$ 11.48	Auto Parts & Accessories~	3049251862	011.0013877			
	011.1046.520000	\$ 158.18	Auto Parts & Accessories~	3049251866	011.0013877			
	011.1046.520000	\$ 7.29	Auto Parts & Accessories~	3049251902	011.0013877			
	011.1046.520000	\$ 162.02	Auto Parts & Accessories~	3049252461	011.0013877			
	011.1046.520000	\$ 252.16	Auto Parts & Accessories~	3049252678	011.0013877			
	011.1046.520000	\$ -252.16	Auto Parts & Accessories~	3049252725	011.0013877			
	011.1046.520000	\$ 104.20	Auto Parts & Accessories~	3049252866	011.0013877			
	011.1046.520000	\$ 148.32	Auto Parts & Accessories~	3049252897	011.0013877			
	011.1046.520000	\$ 43.80	Auto Parts & Accessories~	3049253653	011.0013877			
	011.1046.520000	\$ -43.80	Auto Parts & Accessories~	3049253876	011.0013877			
						01/23/2020	604834	\$ 976.18
005616 - PG&E	056.5600.596700	\$ 561.85	Training Services	78881174				
	056.5600.596700	\$ 603.31	Training Services	78881208				
	056.5600.596700	\$ 713.17	Training Services	78881240				
						01/23/2020	604835	\$ 1,878.33
001234 - PROFORCE LAW ENFORCEMENT	011.1031.520000	\$ 1,447.50	Item No. 44200: ~	395691	011.0014203			
	011.1031.520000	\$ 2,236.00	Item No. 44205-TSR:~	395691	011.0014203			
	011.1031.520000	\$ 349.93	Sales Tax 9.5%	395691				
						01/23/2020	604836	\$ 4,033.43

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006612 - QUALIFIED MOBILE, INC	011.1046.590000	\$ 204.00	Car Wash Services	265668		01/23/2020	604837	\$ 204.00
000805 - RIO HONDO COLLEGE	011.1031.596700	\$ 220.00	Enrollment Fee	1920EVOCVERNON PD69		01/23/2020	604838	\$ 220.00
003787 - RW LYALL & COMPANY, INC	056.5600.590000	\$ 3,760.20	M200SOCAG050A~	163916	056.0000579	01/23/2020	604839	\$ 4,117.41
	056.5600.590000	\$ 357.21	Sales Tax 9.5%	163916				
005790 - SIMON WIND, INC	055.9000.900000	\$ 907.50	Meteorological Services	1912		01/23/2020	604840	\$ 907.50
002079 - SO CAL JOINT POLE COMMITTEE	055.9100.596200	\$ 742.61	Operating Expense 12/19	20519		01/23/2020	604841	\$ 742.61
005419 - SUPERIOR CT OF CAL OF LA	011.1031.594200	\$ 1,899.50	Parking Citations 11/19	010920		01/23/2020	604842	\$ 4,384.00
	011.1031.594200	\$ 2,484.50	Parking Citations 12/19	012120				
000141 - THOMSON REUTERS - WEST	011.4031.596200	\$ 1,578.65	West Information Charges	841602558		01/23/2020	604843	\$ 1,578.65
006132 - THYSSENKRUPP ELEVATOR CORPORAT	055.8400.590000	\$ 443.97	Elevator Service & Maintenance	3004844909		01/23/2020	604844	\$ 443.97

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005699 - WEBCO LB, LLC	011.1043.590000	\$ 1,300.00	Street Sweeping Services 12/19	LB5049		01/23/2020	604845	\$ 1,300.00
001360 - WESCO DISTRIBUTION, INC	055.8000.900000	\$ 4,211.40	CPS* CEP04010A1 *EA *CAPACITOR 1PH	589369	055.0002763			
	055.8000.900000	\$ 400.08	Sales Tax 9.5%	589369		01/23/2020	604846	\$ 4,611.48
005348 - AGILITY RECOVERY SOLUTIONS	011.9019.590110	\$ 415.00	Disaster Recovery Services	107374		01/28/2020	604847	\$ 415.00
001717 - AUL PIPE TUBING & STEEL, INC	020.1084.520000	\$ 253.63	FABITEMS~	150339	011.0014127			
	020.1084.520000	\$ 24.09	Sales Tax 9.5%	150339		01/28/2020	604848	\$ 277.72
000661 - SERGIO CANALES	011.1048.530015	\$ 236.57	Reimb. Possessory Interest Tax~	012320		01/28/2020	604849	\$ 236.57
001401 - CENTRAL BASIN MWD	020.1084.500130	\$ 29,840.65	Potable Water Breakdown	VERDEC19		01/28/2020	604850	\$ 29,840.65
000988 - COMPRESSED AIR SPECIALTIES INC	055.8400.590000	\$ 707.04	Bauer Synthetic Compressor Oil	35398		01/28/2020	604851	\$ 707.04

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
000310 - CRAIG WELDING SUPPLY, CO	011.1047.520000	\$ 53.10	Oxygen, Acetylene, Propane and Welding	634077	011.0013888	01/28/2020	604852	\$ 171.55
	011.1043.520000	\$ 118.45	Oxygen, Acetylene, Propane and Welding	634197	011.0013888			
000947 - DAILY JOURNAL CORPORATION	011.1060.596200	\$ 300.00	Publication Services	B3325907		01/28/2020	604853	\$ 300.00
002566 - DEWEY PEST CONTROL	011.1048.596200	\$ 60.00	Pest Control Services	13178424		01/28/2020	604854	\$ 636.00
	011.1048.596200	\$ 95.00	Pest Control Services	13178428				
	011.1048.596200	\$ 100.00	Pest Control Services	13178433				
	011.1048.596200	\$ 135.00	Pest Control Services	13178435				
	011.1048.596200	\$ 75.00	Pest Control Services	13178436				
	011.1049.590000	\$ 62.00	Pest Control Services	13178437				
	011.1049.590000	\$ 67.00	Pest Control Services	13178438				
	011.1049.590000	\$ 42.00	Pest Control Services	13178439				
005355 - EAN SERVICES, LLC	055.9000.596700	\$ 54.57	Car Rental	23495660		01/28/2020	604855	\$ 54.57
003272 - LANGUAGE LINE SERVICES, INC	011.1031.594200	\$ 86.87	Interpretation Services	4712247		01/28/2020	604856	\$ 86.87

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
000804 - LB JOHNSON HARDWARE CO #1	011.1046.520000	\$ 129.32	Plumbing & Building Hardware~	105297	011.0013893			
	011.1049.520000	\$ 5.46	Plumbing & Building Hardware~	105538	011.0013893			
	011.1049.520000	\$ 151.38	Plumbing & Building Hardware~	105539	011.0013893			
	011.1046.520000	\$ 48.96	Plumbing & Building Hardware~	105661	011.0013893			
						01/28/2020	604857	\$ 335.12
001096 - MELVYN GREEN & ASSOCIATES, INC	011.1041.595200	\$ 6,788.57	Plan Check Services	14210				
						01/28/2020	604858	\$ 6,788.57
006682 - JESSE MONARREZ-ORTIZ	011.1033.596700	\$ 55.00	Reimb. Advanced Auto Extrication	011320				
						01/28/2020	604859	\$ 55.00
001524 - NATIONAL BUSINESS FURNITURE	011.1026.520000	\$ 28,376.45	Office Furniture	MK531929				
						01/28/2020	604860	\$ 28,376.45
000962 - STATE OF CALIFORNIA	055.8400.590000	\$ 225.00	Inspection Fee	E1710763MR				
						01/28/2020	604861	\$ 225.00
006394 - TELETRAC NAVMAN US LTD	011.1046.590000	\$ 4,902.43	GPS Fleet Management System	91805501				
						01/28/2020	604862	\$ 4,902.43
000141 - THOMSON REUTERS - WEST	011.1024.596600	\$ 413.71	West Information Charges	841579545				
	011.1024.596500	\$ 427.05	Subscription Charges	841668272				
						01/28/2020	604863	\$ 840.76

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
002308 - ASBURY ENVIRONMENTAL SERVICES	055.8400.590000	\$ 432.31	Environmental Services	I50000512664		01/30/2020	604864	\$ 432.31
001948 - AT&T	055.9000.560010	\$ 233.97	Period: 11/10/19 - 12/09/19	14013424				
	056.5600.560010	\$ 615.07	Period: 11/10/19 - 12/09/19	14013427				
	056.5600.560010	\$ 21.38	Period: 11/10/19 - 12/09/19	14013526		01/30/2020	604865	\$ 870.42
001948 - AT&T	055.9200.560010	\$ 152.00	Period: 11/19/19 - 12/18/19	4299831507		01/30/2020	604866	\$ 152.00
006309 - ATLAS SAFETY SOLUTIONS	055.8400.590000	\$ 100.00	Calibration - RKI EAGLE~	INVVOL0003101	055.0002773			
	055.8400.590000	\$ 200.00	Calibration - GX-2012~	INVVOL0003101	055.0002773	01/30/2020	604867	\$ 300.00
001917 - CENTRAL BASIN WATER ASSOCIATION	020.1084.596200	\$ 3,105.30	Title 22 Monitoring	12190005		01/30/2020	604868	\$ 3,105.30
004128 - CITY OF WHITTIER	020.1084.596550	\$ 5,000.00	SEWC 19/20 Dues	8020000772		01/30/2020	604869	\$ 5,000.00
001444 - COUNTY OF LOS ANGELES	011.1033.596200	\$ 4,720.00	EMT Recertification	011420		01/30/2020	604870	\$ 4,720.00

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
001336 - CURRENT WHOLESALE ELECTRIC SUP	011.1049.520000	\$ 162.61	Electrical Supplies & Hardware~	260959	011.0013889			
	011.1049.520000	\$ 175.11	Electrical Supplies & Hardware~	260960	011.0013889			
	011.1049.520000	\$ 10.84	Electrical Supplies & Hardware~	261017	011.0013889			
	011.1049.520000	\$ 107.09	Electrical Supplies & Hardware~	261018	011.0013889			
	011.1049.520000	\$ 9.86	Electrical Supplies & Hardware~	261173	011.0013889			
	011.1049.520000	\$ 38.17	Electrical Supplies & Hardware~	261248	011.0013889			
	011.1049.520000	\$ 35.86	Electrical Supplies & Hardware~	261249	011.0013889			
	011.1049.520000	\$ 124.06	Electrical Supplies & Hardware~	261260	011.0013889			
						01/30/2020	604871	\$ 663.60
002566 - DEWEY PEST CONTROL	056.5600.590000	\$ 65.00	Pest Control Services	13137800		01/30/2020	604872	\$ 65.00
006714 - DUTHIE POWER SERVICES	055.8400.590000	\$ 742.07	Generator Maintenance	A71982		01/30/2020	604873	\$ 742.07
000147 - GENERAL PUMP COMPANY, INC	020.1084.900000	\$ 13,138.00	Well & Booster Pump Repairs	27540		01/30/2020	604875	\$ 13,138.00
006130 - GREATER L.A. COUNTY VECTOR CON	011.1060.595200	\$ 7,983.45	Mosquito Control Services	2115		01/30/2020	604876	\$ 7,983.45

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
005350 - HAUL AWAY RUBBISH SERVICE CO,	011.1033.520000	\$ 67.50	Disposal & Recycling Services	9CX02432				
	011.1033.520000	\$ 67.50	Disposal & Recycling Services	9CX02433				
	011.1033.520000	\$ 67.50	Disposal & Recycling Services	9CX02434				
	011.1033.520000	\$ 67.50	Disposal & Recycling Services	9CX02435				
	055.8400.596200	\$ 142.00	Disposal & Recycling Services	9CX02436				
	055.8400.596200	\$ 429.05	Disposal & Recycling Services	9CX02437				
						01/30/2020	604877	\$ 841.05
006641 - HCI SYSTEMS, INC	011.1049.590000	\$ 7,586.00	Fire Suppression Repairs	147791				
						01/30/2020	604878	\$ 7,586.00
001150 - MCMASTER CARR SUPPLY COMPANY	055.8000.900000	\$ 1,424.22	Hardware Supplies~	17568772	055.0002743			
	055.8000.900000	\$ 241.14	Hardware Supplies~	22802517	055.0002743			
	055.8400.590000	\$ 836.12	Hardware Supplies~	27025208	055.0002743			
	055.8400.590000	\$ 438.26	Hardware Supplies~	28086963	055.0002743			
	055.8400.590000	\$ 66.75	Hardware Supplies~	28650368	055.0002743			
						01/30/2020	604879	\$ 3,006.49
001941 - PEPE'S TOW SERVICE	011.1046.590000	\$ 135.00	tow to central ford	31544	011.0014168			
						01/30/2020	604880	\$ 135.00

**CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020**

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
006416 - PRIORITY BUILDING SERVICES, LL	055.8300.540000	\$ 595.63	Janitorial Services 01/20	67255				
	055.8400.540000	\$ 718.90	Janitorial Services 01/20	67255				
	056.5600.540000	\$ 821.45	Janitorial Services 01/20	67255				
						01/30/2020	604881	\$ 2,135.98
006612 - QUALIFIED MOBILE, INC	011.1046.590000	\$ 442.00	Car Wash Services	265859		01/30/2020	604882	\$ 442.00
006637 - RUSHER AIR CONDITIONING	055.8400.596200	\$ 1,079.37	Air Conditioner Maintenance	CM8730		01/30/2020	604883	\$ 1,079.37
006702 - SALLY SWANSON ARCHITECTS, INC	011.1043.595200	\$ 19,472.48	ADA Self Evaluation & Transition Plan	245489		01/30/2020	604884	\$ 19,472.48
001845 - SECURITY PAVING COMPANY, INC	020.1084.520000	\$ 32.41	Crush Base Material~	34015	011.0013885			
	020.1084.520000	\$ 21.85	Crush Base Material~	3410700001	011.0013885			
	020.1084.520000	\$ 90.56	Crush Base Material~	34108	011.0013885			
	020.1084.520000	\$ 30.33	Crush Base Material~	34176	011.0013885			
	020.1084.520000	\$ 37.18	Crush Base Material~	34428	011.0013885			
	020.1084.520000	\$ 72.82	Crush Base Material~	34492	011.0013885			
						01/30/2020	604885	\$ 285.15

CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
003775 - SILVA'S PRINTING NETWORK	055.7100.520000	\$ 1,636.48	Quantity 30,000~	27090	055.0002775	01/30/2020	604886	\$ 1,791.95
	055.7100.520000	\$ 155.47	Sales Tax 9.5%	27090				
000380 - STACY MEDICAL CENTER	011.1031.596200	\$ 835.00	Medical Services	521136638		01/30/2020	604887	\$ 835.00
006371 - TIREHUB, LLC	011.1046.520000	\$ 484.00	2655020 tires	12133308	011.0014167	01/30/2020	604888	\$ 529.98
	011.1046.520000	\$ 45.98	Sales Tax 9.5%	12133308				
000449 - UNDERGROUND SERVICE ALERT	056.5600.596200	\$ 241.00	New Ticket Charges	122019769		01/30/2020	604890	\$ 313.68
	056.5600.596200	\$ 72.68	CA State Fee for Regulatory Costs	18DSBFE7277				
001223 - VELOCITY TRUCK CENTERS	011.1046.590000	\$ 54.34	a6805450224 switch	XA21034458801	011.0014165	01/30/2020	604891	\$ 59.50
	011.1046.590000	\$ 5.16	Sales Tax 9.5%	XA21034458801				

CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020

EARLY CHECKS

VENDOR NAME AND NUMBER	ACCOUNT NUMBER	INVOICE AMOUNT	DESCRIPTION	INVOICE	P.O.#	PAYMENT DATE	CHECK NUMBER	PAYMENT AMOUNT
005480 - VISTA PAINT CORPORATION	011.120010	\$ 48.06	(2988-940) Colorant AT3507 LW Raw Umber	201920840800	011.0014196			
	011.120010	\$ 189.00	(2990-500) Acribond Flat White -P Base	201920840800	011.0014196			
	011.120010	\$ 231.04	(2991-500) Acribond Flat White -P Base	201920840800	011.0014196			
	011.120010	\$ 132.32	(2991-502) Acribond Flat White -A Base	201920840800	011.0014196			
	011.120010	\$ 282.44	(2995-500) Acribond Flat White -P Base	201920840800	011.0014196			
	011.120010	\$ 141.22	(2995-501) Acribond Flat White -DEEP D	201920840800	011.0014196			
	011.1043.520000	\$ 74.16	DLT PP32 Fluid Pump Protector	201920840800	011.0014196			
	011.1043.520000	\$ 45.20	GRA 246-385 Strainer	201920840800	011.0014196			
	011.1043.520000	\$ 34.80	GRA 287-032 60 Mesh Gun Filter	201920840800	011.0014196			
	011.1043.520000	\$ 34.00	GRA 246-384 Filter for Ultra 395/495 S/O	201920840800	011.0014196			
	011.1043.520000	\$ 40.20	Paint Care Recycle Fee	201920840800	011.0014196			
	011.120010	\$ 97.29	Sales Tax 9.5%	201920840800				
	011.1043.520000	\$ 21.69	Sales Tax 9.5%	201920840800				
						01/30/2020	604892	\$ 1,371.42
TOTAL EARLY CHECKS								<u>\$ 289,133.40</u>

CITY OF VERNON
OPERATING ACCOUNT
WARRANT REGISTER NO. 39
FEBRUARY 18, 2020

RECAP BY FUND

<u>FUND</u>	<u>ELECTRONIC TOTAL</u>	<u>EARLY CHECK TOTAL</u>	<u>WARRANT TOTAL</u>	<u>GRAND TOTALS</u>
011 - GENERAL	\$ 3,344,828.40	\$ 180,131.75	\$ 0.00	\$ 3,524,960.15
020 - WATER	20,405.51	54,672.30	0.00	75,077.81
055 - LIGHT & POWER	2,968,667.81	44,307.03	0.00	3,012,974.84
056 - NATURAL GAS	26,926.94	10,022.32	0.00	36,949.26
057 - FIBER OPTIC	5,522.66	0.00	0.00	5,522.66
GRAND TOTAL	\$ 6,366,351.32	\$ 289,133.40	\$ 0.00	\$ 6,655,484.72

TOTAL CHECKS TO BE PRINTED 0

City Council Agenda Item Report

Agenda Item No. COV-542-2019

Submitted by: Adriana Ramos

Submitting Department: Fire Department

Meeting Date: February 18, 2020

SUBJECT

Fire Department Activity Report

Recommendation:

Receive and file the December 2019 Report.

Background:

Attached is a copy of the Vernon Fire Department Activity Report which covers the period of December 1, 2019 through December 31, 2019. This report covers hours for Fire Prevention, Training, Pre-Incident, Periodic Testing, Public Service Programs and Routine Maintenance.

Fiscal Impact:

None.

Attachments:

1. [Fire Department Activity Report - 12/1/19 to 12/31/19](#)

**VERNON FIRE DEPARTMENT
COMPANY ACTIVITIES
December 1, 2019 to December 31, 2019**

ACTIVITY TYPE

FIRE PREVENTION:

Regular Inspections (#):

Re-Inspections (#):

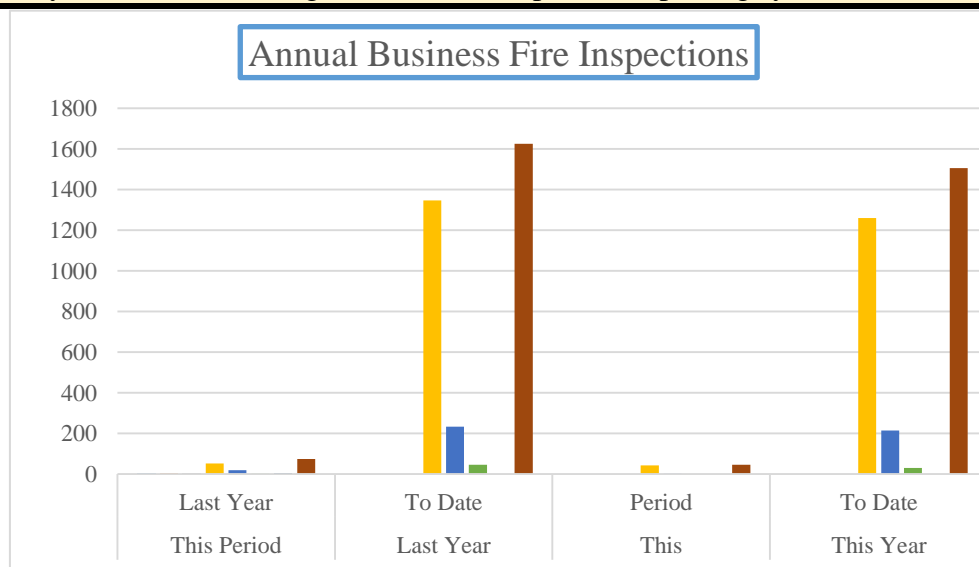
Spec. Haz. Inspections (#):

Total Inspections:

Total Staff Hours:

This Period Last Year	Last Year To Date	This Period	This Year To Date
53	1346	43	1260
20	233	3	215
1	46	0	30
74	1625	46	1505
80	2123	74	2103

*Reduction in activity due to transitioning to electronic inspection reporting system.



PRE-INCIDENT (HOURS):

Planning

District Familiarization

Total Hours:

This Period Last Year	Last Year To Date	This Period	This Year To Date
174	2173	203	2298.5
140	2183	197	2294.5
314	4356	400	4593

PERIODIC TEST (HOURS):

Hose Testing

Pump Testing

Total Hours:

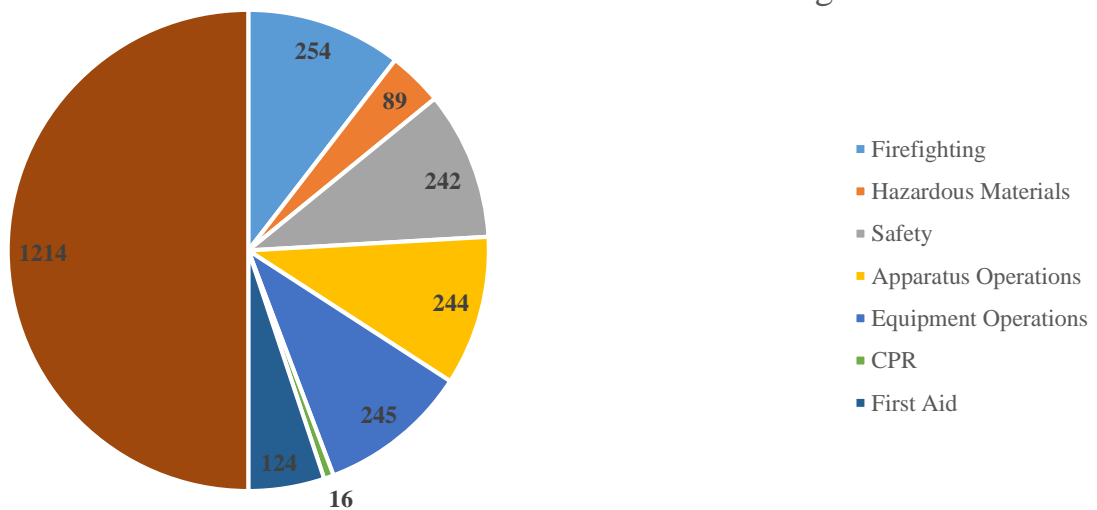
This Period Last Year	Last Year To Date	This Period	This Year To Date
16	79	0	8
2	33	13	42
18	112	13	50

TRAINING (HOURS):

Firefighting
 Hazardous Materials
 Safety
 Apparatus Operations
 Equipment Operations
 CPR
 First Aid

This Period Last Year	Last Year To Date	This Period	This Year To Date
234	2582	254	2920
54	906	89	863
254	3091	242	2914
510	3099	244	3014
253	3111	245	3014
11	95	16	136
88	746	124	1105
Total Hours:	1404	1214	13966

Fire Training Hours

**PUBLIC SERVICE PROGRAMS (HOURS):**

School Programs
 Fire Brigades
 Emergency Preparedness

This Period Last Year	Last Year To Date	This Period	This Year To Date
4	104	6	53
0	19	5	23
32	342	55	397.5
Total Hours:	36	66	473.5

ROUTINE MAINTENANCE (HOURS):

Station
 Apparatus
 Equipment

This Period Last Year	Last Year To Date	This Period	This Year To Date
252	2892	245	2984
255	2941	246	2978
255	2993	253	3033
Total Hours:	762	744	8995

Personnel Activity Total By Hours:

2614	29512	2511	30180.5
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LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TIMES BY UNIT AVERAGE

Query by City: VERNON
Query by Unit BC13,BC3,Q164
All Responses
12/01/2019 - 12/31/2019

<u>Unit</u>	<u>Number of Responses</u>	<u>Average Response Time</u>	<u>Average Time duration</u>
BC13	4	24:18	40:51
BC3	3	06:31	22:59
Q164	2	02:20	50:17
Totals	9	13:29	37:00



LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TIMES BY UNIT AVERAGE

Query by City: VERNON
Query by Unit BC776,E776,E777,E778,E779,T776
All Responses
12/01/2019 - 12/31/2019

<u>Unit</u>	<u>Number of Responses</u>	<u>Average Response Time</u>	<u>Average Time duration</u>
E777	55	07:26	16:57
E778	50	07:35	19:49
E779	22	04:46	25:41
T776	25	04:51	39:29
Totals	152	06:40	22:52



LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TIMES BY UNIT AVERAGE

Query by City: VERNON
Query by Unit BC776,E776,E777,E778,E779,T776
First-Arrived Unit Responses
12/01/2019 - 12/31/2019

<u>Unit</u>	<u>Number of Responses</u>	<u>Average Response Time</u>	<u>Average Time duration</u>
E777	39	03:55	19:24
E778	19	05:27	25:13
E779	15	04:11	20:17
T776	14	04:37	33:45
Totals	87	04:25	23:08



LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TIMES BY UNIT AVERAGE

Query by City: VERNON

Query by Unit RA778

All Responses

12/01/2019 - 12/31/2019

<u>Unit</u>	<u>Number of Responses</u>	<u>Average Response Time</u>	<u>Average Time duration</u>
RA778	71	04:59	37:01
Totals	71	04:59	37:01



LOS ANGELES COUNTY FIRE DEPARTMENT

RESPONSE TIMES BY UNIT AVERAGE

Query by City: VERNON

Query by Unit RA778

First-Arrived Unit Responses

12/01/2019 - 12/31/2019

<u>Unit</u>	<u>Number of Responses</u>	<u>Average Response Time</u>	<u>Average Time duration</u>
RA778	28	04:01	34:16
Totals	28	04:01	34:16

City Council Agenda Item Report

Agenda Item No. COV-7-2020
Submitted by: Danita Robertson
Submitting Department: Police Department
Meeting Date: February 18, 2020

SUBJECT

Police Department Activity Report

Recommendation:

Receive and file the December 2019 Reports.

Background:

The Vernon Police Department's activity report consists of activity during the specified reporting period, including a summary of calls for service, and statistical information regarding arrests, traffic collisions, stored and impounded vehicles, recovered stolen vehicles, the number of citations issued, and the number of reports filed.

Fiscal Impact:

None.

Attachments:

1. [Police Department Activity Report - 12/01/19 to 12/15/19](#)
2. [Police Department Activity Report - 12/16/19 to 12/31/19](#)

VERNON POLICE DEPARTMENT

Department Activity Report

First Date: 12/01/2019

Jurisdiction: VERNON

Last Date: 12/15/2019

Department	Complaint	All Units	Primary Unit
Type	Description		
VPD			
10-6	OFFICER IS 10-6 C7,961,962,10-10, WASH, EQUIP	131	123
10-96C	10-96 CHARLES (CITY HALL SECURITY CHECK)	4	4
10-96H	PICK UP THE JAIL PAPER WORK FROM HP JAIL	1	1
140	SUPPLEMENTAL REPORT	3	3
20002	NON-INJURY HIT AND RUN	4	1
20002R	NON-INJURY HIT AND RUN REPORT	11	7
242	BATTERY	12	3
245	ASSAULT WITH A DEADLY WEAPON	8	1
246R	SHOOTING AT AN OCCUPIED DWELLING OR VEH	3	1
314	INDECENT EXPOSURE	9	4
415	DISTURBING THE PEACE	25	10
451R	ARSON REPORT	1	1
459	BURGLARY	3	1
459A	AUDIBLE BURGLARY ALARM	144	72
459R	BURGLARY REPORT	14	8
459S	SILENT BURGLARY ALARM	9	5
459VR	BURGLARY TO A VEHICLE REPORT	4	2
484R	PETTY THEFT REPORT	9	5
487R	GRAND THEFT REPORT	6	5
586	PARKING PROBLEM	7	7
594	VANDALISM	17	4
594R	VANDALISM REPORT	6	5
602	TRESPASS	19	7
647F	DRUNK IN PUBLIC	1	1
901	UNKNOWN INJURY TRAFFIC COLLISION	1	1
901T	INJURY TRAFFIC COLLISION	26	8
901TR	INJURY TRAFFIC COLLISION REPORT	6	2
902T	NON-INJURY TRAFFIC COLLISION	52	36
902TR	NON-INJURY TRAFFIC COLLISION REPORT	1	1
909C	TRAFFIC CONTROL	4	3
909T	TRAFFIC HAZARD	2	1
911	911 MISUSE / HANGUP	2	1
911A	CONTACT THE REPORTING PARTY	15	12
917A	ABANDONED VEHICLE	5	4
920PR	LOST PROPERTY REPORT	1	1
925	SUSPICIOUS CIRCUMSTANCES	33	16
927	UNKNOWN TROUBLE	4	2
A459VR	ATTEMPT BURGLARY TO A VEHICLE REPORT	1	1
ASSISTFD	ASSIST FIRE DEPARTMENT	33	21
BOSIG	BROKEN SIGNAL OR LIGHT	6	4
BOVEH	BROKEN DOWN VEHICLE	20	16
CITCK	CITATION CHECK	4	4
CODE5	SURVEILLANCE/STAKE-OUT	3	1
COP	COP DETAIL	4	3
DEMOSTRA	DEMONSTRATION	6	6
DET	DETECTIVE INVESTIGATION	16	6
DETAIL	DETAIL	4	4

VERNON POLICE DEPARTMENT

Department Activity Report

First Date: 12/01/2019

Jurisdiction: VERNON

Last Date: 12/15/2019

Department	Complaint		All Units	Primary Unit
	Type	Description		
VPD				
	DPTAST	DEPARTMENTAL ASSIST	8	3
	DUI	DRIVING UNDER THE INFLUENCE	2	1
	FILING	OFFICER IS 10-6 REPORT WRITING	82	80
	FOUND	FOUND PROPERTY REPORT	1	1
	FU	FOLLOW UP	11	6
	GTAR	GRAND THEFT AUTO REPORT	8	5
	JAILPANIC	TEST THE JAIL PANIC ALARM BUTTON	2	2
	LOJACK	LOJACK HIT	2	1
	LPR	LICENSE PLATE READER	1	1
	MISPLOCATE	LOCATED MISSING PERSON REPORT	5	1
	MR60	MISC REPORT	1	1
	PANIC ALARM	PANIC ALARM/DURESS ALARM	4	1
	PAPD	PUBLIC ASSIST-POLICE	10	6
	PATCK	PATROL CHECK	132	109
	PEDCK	PEDESTRIAN CHECK	55	31
	PRSTRAN	PRISONER TRANSPORTED	11	9
	REC	RECOVERED STOLEN VEHICLE	10	4
	RECDALARM	TEST THE RECORDS ALARM	1	1
	RECKLESS DF	RECKLESS DRIVING (23103)	10	2
	REPO	REPOSSESSION	3	3
	RR	RAIL ROAD PROBLEM	5	3
	SCAR	SUSPECTED CHILD ABUSE REPORT	2	1
	SEAACA	SEAACA ANIMAL CALLS	1	1
	SHOTS	SHOTS	2	1
	SRMET	SRMET DETAIL	24	20
	TEST	TEST CALL	1	1
	TRAFFIC STOI	TRAFFIC STOP	198	158
	VCK	VEHICLE CHECK	129	111
	VEH RELEASE	VEHICLE RELEASE	1	1
	WARRANT	WARRANT ARREST	5	5
	WELCK	WELFARE CHECK	20	11
Department:			1447	1016
Overall:			1447	1016

VERNON POLICE DEPARTMENT
Police Activity Report

Period Ending: 12/15/19

TRAFFIC COLLISIONS

	<u>NO.</u>
TOTAL	18
NON-INJURY	12
INJURY	6
Persons Injured	8
Pedestrian	1
Fatalities	
City Property Damage	4
Hit & Run (Felony)	1
Hit & Run (Misdemeanor)	2

PROPERTY RECOVERED

VEHICLES: \$0.00

VEHICLES STORED

Unlicensed Driver	1
Abandoned/Stored Vehicle	17
Unattached Trailer	1
Traffic Hazard	

**PROPERTY RECOVERED FOR
OTHER DEPARTMENTS**

VEHICLES: \$27,500.00

CITATIONS

Citations Iss (Prisoner Release)	19
Citations Iss (Other Violations)	
Parking	101
Hazardous	59
Non-Hazardous	30
Citations Iss (Moving)	89
Citations Iss (Total)	190

CASES CLEARED BY ARREST

AR19-482	CR19-1968	10851(A) VC
AR19-485	CR19-1972	496(A) PC
AR19-486	CR19-1369	459 PC
AR19-492	CR19-1997	459 PC
AR19-493	CR19-2000	496(A) PC
AR19-496	CR19-2016	459 PC

**VERNON POLICE DEPARTMENT
REPORT FOR PERSONS ARRESTED**

PERIOD ENDING: 12/15/2019

ADULT FELONY ARRESTS AND DISPOSITIONS			
	MALE	FEMALE	TOTAL
ASSAULT W/DEADLY WEAPON			
BURGLARY	3		3
DRIVING UNDER THE INFLUENCE w/ INJURY	1		1
DOMESTIC VIOLENCE			
GRAND THEFT: AUTO	1		1
GRAND THEFT: PROPERTY			
ROBBERY			
WARRANT (VERNON CASE)			
WARRANT (OUTSIDE AGENCY)	1		1
TOTAL FELONY ARRESTS	6	0	6

ADULT MISDEMEANOR ARRESTS AND DISPOSITIONS			
	MALE	FEMALE	TOTAL
COURT ORDER VIOLATION			
DRUNK IN PUBLIC			
DRIVING UNDER THE INFLUENCE	4		4
DRIVING WITH SUSPENDED LICENSE	1		1
PETTY THEFT			
POSSESSION OF NARCOTICS			
POSSESSION OF PARAPHERNALIA			
POSSESSION OF STOLEN PROPERTY	2		2
RESISTING ARREST			
TRESPASSING ON RAILROAD PROPERTY			
VANDALISM			
WARRANT (VERNON CASE)	7		7
WARRANT (OUTSIDE AGENCY)			
TOTAL MISD. ARRESTS	14	0	14

JUVENILES DETAINED --- FELONY AND MISDEMEANOR			
	MALE	FEMALE	TOTAL
BURGLARY			
RESISTING ARREST			
ROBBERY			
VANDALISM			
WARRANT			
TOTAL JUVENILES DET.	0	0	0

TOTAL FELONY ARRESTS (ADULT) TO DATE:	117
TOTAL MISDEMEANOR ARRESTS (ADULT) TO DATE:	375
TOTAL JUVENILES DETAINED (FELONY AND MISDEMEANOR) TO DATE:	1
TOTAL ARRESTS AND DETAINED JUVENILES (FELONY AND MISDEMEANOR) TO DATE:	493

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/01/2019

Jurisdiction: VERNON

Last Date: 12/01/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225065												
VI			12/01/2019	01:23:21								
RPT			TRAFFIC STOP		SANTA FE AV // 12 TH, VERNON							
1015												
			VPD	CAM,PATRICK	*26W			01:23:21				03:25:30
			VPD	CORTEZ,JUSTIN	20		01:24:49	01:27:42			03:25:06	
				USTOW	US TOW	02:02:22	02:02:45	02:09:01			03:25:04	
20191225074												
RPT			12/01/2019	10:30:11								
			902T		S DISTRICT BL // ATLANTIC BL, VERNON							
			VPD	FINO,MARCUS	*32E			10:30:11				11:18:20
			VPD	CERDA,EUGENIO	40		10:33:52	11:00:11				11:18:20

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/02/2019

Jurisdiction: VERNON

Last Date: 12/02/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225131												
	1015	26E	12/02/2019	02:16:15								
	RPT	26E	TRAFFIC STOP		E 55TH // ALAMEDA, VERNON				Department VPD	OCA Number CR20191947	RMS Juris CA0197300	
	VI	38										
				VPD	CAM,PATRICK			02:16:15				05:01:17
				VPD	GODOY,RAYMON		02:16:18	02:30:26			04:38:59	
				VPD	ENCINAS,ANTHOI		02:16:23	02:16:23			02:41:29	
20191225149												
	RPT		12/02/2019	07:39:38	OKK TRADING							
			WELCK		2721 E 45TH, VERNON				Department VPD	OCA Number CR20191948	RMS Juris CA0197300	
				VPD	FINO,MARCUS	*32W	07:40:36	07:41:15	07:44:56			09:02:09
				VPD	VILLEGAS,RICHA	41	07:40:39	07:41:17	07:45:22		08:09:11	
20191225153												
	RPT		12/02/2019	08:55:55	RENAN							
	CITY		902T		ROSS // ALAMEDA, VERNON				Department VPD	OCA Number CR20191949	RMS Juris CA0197300	
				VPD	ZOZAYA,OSCAR	*40E		09:00:48	09:06:55			09:45:23
20191225154												
	RPT		12/02/2019	09:02:15	26 CALIFORNIA BAZAR							
	RPT		487R		2845 E 26TH, VERNON				Department VPD VPD	OCA Number CR20191950 CR20191956	RMS Juris CA0197300 CA0197300	
				VPD	FINO,MARCUS	*32W		09:11:45	09:13:25		09:34:29	
				VPD	VILLEGAS,RICHA	41		09:47:49	09:52:39		10:25:52	12:24:00
20191225156												
	RPT		12/02/2019	09:30:44	ELI FLOWER							
			242		3435 E VERNON AV, VERNON				Department VPD	OCA Number CR20191951	RMS Juris CA0197300	
				VPD	CHAVEZ,JERRY,J	*S1		09:32:23	09:36:41		09:58:21	
				VPD	FINO,MARCUS	32W		09:34:39	09:36:24		10:36:21	
				VPD	ZOZAYA,OSCAR	40E			09:47:53			10:46:26
				VPD	VILLEGAS,RICHA	41		09:33:04	09:39:07		09:47:31	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/02/2019

Jurisdiction: VERNON

Last Date: 12/02/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225158														
	RPT		12/02/2019	10:14:31	APPLE FABRIC									
		459VR			1945 E 55TH, VERNON									
				VPD	FINO,MARCUS	*32W	10:36:27	10:36:41	11:01:11					11:27:50
20191225159														
	RPT		12/02/2019	10:21:05	VACANT									
		459R			5610 ALCOA AV, VERNON									
				VPD	VILLEGAS,RICHA	*41		10:25:58	10:35:50				10:59:49	
20191225160														
	VS		12/02/2019	10:55:20	BNSF									
		917A			E 46TH // PACIFIC BL, VERNON									
				VPD	ZOZAYA,OSCAR	*40E		10:58:04	11:02:39					11:29:58
20191225162														
	RPT		12/02/2019	11:16:20	GRACE APPAREL									
		484R			4420 E DISTRICT BL, VERNON									
				VPD	VILLEGAS,RICHA	*41	11:18:57		11:30:03			11:50:36		
				VPD	FINO,MARCUS	32W		11:32:32	11:37:47			11:49:47		
				VPD	ZOZAYA,OSCAR	40E		11:30:01	11:49:49					11:56:47
20191225170														
	RPT		12/02/2019	14:22:08	MARTIN CRUZ									
		902T			S SANTA FE AV // 28TH, VERNON									
				VPD	FINO,MARCUS	*32W			14:23:00					15:10:28
20191225183														
	RPT		12/02/2019	18:34:56	HERBERT CANOS									
	1015		RECKLESS DRV		S ALAMEDA // VERNON AV, VERNON									
	VI													
				VPD	FINO,MARCUS	*32W		18:37:09	18:43:57			21:57:23		
				VPD	CERDA,PAUL,JR	26W			20:15:45			21:57:24		
				VPD		32			18:58:23			20:16:21		

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/02/2019

Jurisdiction: VERNON

Last Date: 12/02/2019

Call Number	Disp	Ten	Received	Caller		Unit Time						
				Code	Complaint	Address	Dispatch	Enroute	OnScene	Depart	Arrive	Remove
20191225183												
RPT 1015 VI		12/02/2019	18:34:56		HERBERT CANOS							
					RECKLESS DRV							
					S ALAMEDA // VERNON AV, VERNON							
				VPD	ZOZAYA,OSCAR	40E	18:37:17	18:38:09			18:57:40	
				VPD		41W	18:58:12	18:58:14			20:16:02	
				VPD	ENCINAS,ANTHOI	44		20:16:30			20:51:26	
				VPD	HERRERA,GUSTAF	S6	20:04:01				20:14:11	
20191225186												
1015		12/02/2019	20:03:41		HPPD							
					WARRANT							
				VPD	LANDA,RAFAEL	*41E	20:14:21	20:14:21	20:15:47			20:56:52
20191225187												
RPT VS		12/02/2019	21:49:21		WORLD MACHNERY							
					4735 E DISTRICT BL, VERNON							
				VPD	LANDA,RAFAEL	*41E	21:49:54	21:50:46	21:51:21		00:07:44	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/03/2019

Jurisdiction: VERNON

Last Date: 12/03/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225197												
	RPT	12/03/2019	04:37:50	PACIFIC AMERICAN FISH								
		594R		5525 S SANTA FE AV, VERNON								
			VPD	CERDA,PAUL,JR	*26W	04:39:58	04:40:34	04:44:26				06:07:02
									Department	OCA Number	RMS Juris	
									VPD	CR20191960	CA0197300	
20191225212												
	RPT	12/03/2019	08:16:24	UPDATE INTERNATIONAL								
		594R		5801 S BOYLE AV, VERNON								
			VPD	ZOZAYA,OSCAR	*41	08:57:48	08:57:49	09:05:39				09:49:03
									Department	OCA Number	RMS Juris	
									VPD	CR20191961	CA0197300	
20191225213												
	MET	12/03/2019	08:17:09									
	RPT	SRMET		FRUITLAND AV // PACIFIC BL, VERNON								
			VPD	STEVENSON,KEN	*40E	08:18:13	08:18:14	08:21:35			09:12:52	
			VPD	FINO,MARCUS	38W		08:19:27	08:20:48			08:38:19	
			VPD	OURIQUE,CARLO	MET1		08:31:37	08:42:22				11:08:44
20191225217												
	RPT	12/03/2019	08:49:46									
	VI	VCK		E 50TH // BOYLE AV, VERNON								
			VPD	MACIEL,CYNTHIA	*2P8			08:49:46				10:07:29
				MR C TOW	MR C TO	08:55:17	08:55:39	09:03:02				10:07:29
									Department	OCA Number	RMS Juris	
									VPD	CR20191962	CA0197300	
20191225224												
	RPT	12/03/2019	09:42:25	WINDAIR LOGISTIC								
		484R		4900 LOMA VISTA AV, VERNON								
			VPD	ZOZAYA,OSCAR	*41	09:50:40	09:50:40				09:58:17	
			VPD	STEVENSON,KEN	40E		09:58:14	10:02:17				10:27:08
									Department	OCA Number	RMS Juris	
									VPD	CR20191964	CA0197300	
20191225249												
	CITE	12/03/2019	13:13:44									
	RPT	TRAFFIC STOP		S SANTA FE AV // 37TH, VERNON								
			VPD	PEREZ,NICK	*L2			13:13:52			13:40:35	
			VPD	FINO,MARCUS	38W	13:13:57	13:14:01	13:17:02				13:56:15

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/03/2019

Jurisdiction: VERNON

Last Date: 12/03/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225249														
	CITE		12/03/2019	13:13:44										
	RPT		TRAFFIC STOP			S SANTA FE AV // 37TH, VERNON								
					VPD	ZOZAYA,OSCAR	41		13:14:26					13:56:15
										Department VPD	OCA Number CR20191965	RMS Juris CA0197300		
20191225268														
	1015		12/03/2019	23:59:58		HPPD JAIL								
			WARRANT			6542 MILES, VERNON								
					VPD	CERDA,PAUL,JR	*32E	23:59:58		00:09:15				00:59:13
										Department VPD	OCA Number CR20191966	RMS Juris CA0197300		

* Denotes Primary Unit

VERNON POLICE DEPARTMENT
Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/04/2019

Last Date: 12/04/2019

Call Number	Disp	Ten	Received	Caller	Code	Complaint	Address	Unit Time					
								Dep	Officer	Unit	Dispatch	Enroute	OnScene
20191225274													
	RPT		12/04/2019	02:26:14									
	REPO		REPO				2499 E 38TH, VERNON						
				VPD	RECORDS BUREAU		*RECD						
								02:28:56			02:43:09		
20191225277													
	RPT		12/04/2019	03:37:50									
	1015		REC				PACIFIC BL // SANTA FE AV, VERNON						
	VREC												
				VPD	CERDA,PAUL,JR		*32E	03:40:46	03:40:46	03:43:40	06:19:16		
				VPD	LUCAS,JASON		26			03:44:10	06:09:16		
				VPD	LANDA,RAFAEL		31W	03:40:49	04:08:39		06:39:57		
				VPD	SANTOS,DANIEL		S2	03:42:43	03:44:04		05:14:30		
				VPD	HERRERA,GUSTAF		S6	03:43:04			04:54:08		
20191225288													
	RPT		12/04/2019	07:49:49			GREAT AMERICAN PACKAGING						
	VS		917A				4361 S SOTO, VERNON						
				VPD	STEVENSON,KEN		*31W	08:00:57	08:02:59		09:16:06		
20191225310													
	RPT		12/04/2019	12:57:59									
			PEDCK				S SANTA FE AV // 27TH, VERNON						
				VPD	MARTINEZ,GABRIEL		*S5		12:57:59		13:44:18		
				VPD	STEVENSON,KEN		31W	12:58:06		12:59:44	12:58:30		
				VPD	DOCHERTY,MICHAEL		41	13:37:04	13:37:11		13:44:17		
				VPD	REYNA,JOSE S		5D23		13:05:04		13:34:32		
				VPD	CERDA,EUGENIO		MET1		12:58:26		13:44:17		
20191225313													
	RPT		12/04/2019	14:02:16			QX LOGISTICS						
			487R				2050 E 49TH, VERNON						
				VPD	STEVENSON,KEN		*31W		14:07:32		16:10:04		

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/04/2019

Jurisdiction: VERNON

Last Date: 12/04/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225315												
	RPT	12/04/2019	14:33:54	EDWIN REYES								
		902T		E 49TH // SANTA FE AV, VERNON								
			VPD	DOCHERTY,MICH	*41	14:56:58		15:05:49			15:04:13	16:02:41
			VPD	VALENZUELA,FEI	32E	15:04:10					15:12:09	
20191225319												
	RPT	12/04/2019	15:21:03	UNK								
		GTAR		5151 ALCOA AV, VERNON								
			VPD	VALENZUELA,FEI	*32E	15:40:44	15:41:36	15:47:42			16:21:16	
20191225324												
	RPT	12/04/2019	17:05:06									
		242		3031 LEONIS BL, VERNON								
			VPD	VALENZUELA,FEI	*32E			17:05:06				17:44:57
20191225330												
	1015	12/04/2019	19:39:22									
	RPT	FU		4335 LIVE OAK, CUDAHY								
			VPD	HERNANDEZ,EDV	*5D32			19:39:22				22:45:12
			VPD	FINO,MARCUS	31E	20:03:58	20:03:59	20:14:34			21:20:13	
			VPD	CROSS,JEREMY	5D30			19:39:25				22:45:11
			VPD	ESCOBEDO,ALEX	5D33			19:39:49				22:45:12
			VPD	RAMOS,JOSE	5D35			19:39:52				22:45:12

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/05/2019

Jurisdiction: VERNON

Last Date: 12/05/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225342												
	RPT	12/05/2019	04:45:34									
	CITE	901T		ALCOA AV // SLAUSON AV, VERNON								
	OR											
			VPD	FINO,MARCUS	*31E			04:45:35				06:10:39
			VPD	CERDA,PAUL,JR	40W		04:45:37	04:50:54				06:10:40
			VPD	LANDA,RAFAEL	41			04:52:59			05:18:43	06:10:40
				MR C TOW	MR C TO	04:51:26	04:52:42	05:12:17				06:10:41
20191225355												
	RPT	12/05/2019	08:17:21	MARCO GONZALEZ								
		20002R		2051 E 55TH, VERNON								
			VPD	VALENZUELA,FEI	*26W		08:18:57	08:26:46				08:51:36
20191225357												
	RPT	12/05/2019	08:36:58	AMPM MINI MARKET								
		902T		3278 E SLAUSON AV, VERNON								
			VPD	VASQUEZ,LUIS	*31E		08:38:13	08:44:22				09:17:24
20191225359												
	RPT	12/05/2019	09:10:28	ABRAHAM HAKIMI								
	CITY	20002R		LEONIS BL // BOYLE AV, VERNON								
			VPD	VALENZUELA,FEI	*26W		09:13:40	09:17:38				09:45:41
			VPD	VASQUEZ,LUIS	31E		09:34:57				09:35:32	
20191225368												
	RPT	12/05/2019	10:26:19	WASTE MANAGEMENT								
		459R		4280 BANDINI BL, VERNON								
			VPD	VASQUEZ,LUIS	*31E		10:32:29	10:34:33				11:07:35
20191225375												
	1015	12/05/2019	11:35:48									
		DET		1480 VINE ST, LOS ANGELES								
			VPD	RAMOS,JOSE	*5D35			11:35:48				16:10:04

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/05/2019

Jurisdiction: VERNON

Last Date: 12/05/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225375														
	1015		12/05/2019	11:35:48										
			DET		1480 VINE ST, LOS ANGELES									
				VPD	CROSS,JEREMY	5D30				12:19:32				16:10:03
				VPD	GAYTAN,LORENZ	5D31				11:35:55				16:10:03
				VPD	HERNANDEZ,EDV	5D32				12:19:36				16:10:04
20191225388														
	SUP		12/05/2019	13:39:12		SINGH MARKETING INC								
			140		4340 E DISTRICT BL, VERNON									
				VPD	VALENZUELA,FEI	*26W		14:10:12		14:17:10				14:51:51
20191225391														
	RPT		12/05/2019	14:51:34		JACOB RASTEJER								
			459R		3810 S SANTA FE AV, VERNON									
				VPD	VALENZUELA,FEI	*26W		14:51:56		14:59:00				15:45:14
				VPD	VASQUEZ,LUIS	31E		15:06:23		15:07:26				15:45:14
20191225393														
	1015		12/05/2019	15:43:33		TAKAOKAYA USA INC								
	RPT		594		5600 BICKETT, VERNON									
				VPD	VALENZUELA,FEI	*26W		15:45:19		16:03:45			16:36:32	
				VPD	VASQUEZ,LUIS	31E		15:45:23		15:46:04				17:00:51
				VPD	STEVENSON,KEN	32		15:46:44		15:53:22				17:00:51
				VPD	MARTINEZ,GABRI	S5				15:51:51			16:46:10	
20191225398														
	RPT		12/05/2019	17:41:32										
			20002R		S SANTA FE AV // 38TH, VERNON									
				VPD	VALENZUELA,FEI	*26W				17:42:52				18:15:30

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/06/2019

Jurisdiction: VERNON

Last Date: 12/06/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225439												
	RPT		12/06/2019	08:41:01	26 CALIFORNIA BAZAR							
		487R			2845 E 26TH, VERNON							
			VPD	CERDA,EUGENIO	*32E	08:49:22	08:49:22	08:55:55				09:51:07
20191225445												
	RPT		12/06/2019	10:11:49	5107 DISTRICT							
		902T			5107 S DISTRICT BL, VERNON							
			VPD	VASQUEZ,LUIS	*40	10:14:17	10:14:17	10:15:03				10:50:49
20191225461												
	REPO		12/06/2019	14:58:39	UNK							
	RPT		REPO		4719 S BOYLE AV, VERNON							
			VPD	RECORDS BUREAU	*RECD							15:06:38
20191225462												
	RPT		12/06/2019	15:07:42	T-MOBILE (877) 653-7911							
		901T			BANDINI BL // PENNINGTON WAY, VERNON							
			VPD	CERDA,EUGENIO	*32E	15:09:09	15:09:21	15:18:22				16:13:37
			VPD	VALENZUELA,FEI	31W			15:27:53			15:28:21	
			VPD	VASQUEZ,LUIS	40	15:09:10	15:09:22					16:13:37
20191225473												
	RPT		12/06/2019	20:29:01	JOHN							
		20002R			S SANTA FE AV // 37TH, VERNON							
			VPD	GODOY,RAYMON	*38W	20:31:07	20:32:05	20:42:02			21:18:35	
20191225474												
	RPT		12/06/2019	21:14:45								
	1015		VCK		1901 E 55TH, VERNON							
			VPD	NEWTON,TODD	*44			21:14:45				22:21:41
			VPD	GODOY,RAYMON	38W		21:18:39	21:20:37				22:21:41
			VPD	OURIQUE,CARLO	41E		21:17:27	21:33:50			21:50:34	
			VPD	ESTRADA,IGNACI	S3			21:21:31			21:46:44	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/07/2019

Jurisdiction: VERNON

Last Date: 12/07/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225499												
	1015		12/07/2019	09:27:01								
	RPT		PEDCK		2939 BANDINI BL, VERNON				Department VPD	OCA Number CR20191988	RMS Juris CA0197300	
				VPD CERDA,EUGENIO	*44E			09:27:01				10:19:46
				VPD VELASQUEZ,RICH	32W		09:27:04	09:30:15			10:03:44	
				VPD VASQUEZ,LUIS	40E		09:27:03	09:30:33			10:03:46	
20191225507												
	REPO		12/07/2019	13:00:38	SPIRIT							
	RPT		REPO		3301 SACO, VERNON				Department VPD	OCA Number CR20191989	RMS Juris CA0197300	
				VPD RECORDS BUREAU	*RECD			13:02:12				13:35:39
20191225511												
	RPT		12/07/2019	13:19:37	VERIZON WIRELESS 1-800-451-5242							
	VS		901T		LEONIS BL // PACIFIC BL, VERNON				Department VPD	OCA Number CR20191990	RMS Juris CA0197300	
				VPD VELASQUEZ,RICH	*32W	13:20:12		13:21:46			14:49:55	
				VPD VASQUEZ,LUIS	40E			13:21:11			14:24:01	16:13:43
				VPD VALENZUELA,FEF	41W	13:20:13		13:21:14				16:13:43
				VPD CERDA,EUGENIO	44E			13:21:49			14:56:38	
				VPD ONOPA,DANIEL	S7			13:21:23			14:50:19	
20191225523												
	RPT		12/07/2019	22:07:12	STEVE							
			WELCK		E VERNON AV // SANTA FE AV, VERNON				Department VPD	OCA Number CR20191991	RMS Juris CA0197300	
				VPD GODOY,RAYMON	*38W	22:09:48	22:10:15	22:12:16				23:16:10
				VPD OURIQUE,CARLO	31	22:09:50	22:10:17				22:10:54	
				VPD CAM,PATRICK	41E		22:24:14				22:30:17	
				VPD OURIQUE,CARLO	44		22:10:47	22:11:55			22:24:23	
				VPD SANTOS,DANIEL	S2			22:11:11			22:39:54	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/07/2019

Jurisdiction: VERNON

Last Date: 12/07/2019

Call Number	Disp	Ten	Received	Caller		Unit Time								
		Code	Complaint	Address		Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191225524														
	RPT		12/07/2019	22:13:05										
	1015		WARRANT		6542 MILES, HUNTINGTON PARK									
				VPD	OURIQUE,CARLO	*44	22:24:24	22:30:20	22:49:04			23:40:32		
20191225525														
	RPT		12/07/2019	22:35:16	IVAN									
			484R		3031 E VERNON AV, VERNON									
				VPD	CAM,PATRICK	*41E		22:37:46	22:44:56				22:57:05	
				VPD	SANTOS,DANIEL	S2			22:44:58				22:57:03	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/08/2019

Jurisdiction: VERNON

Last Date: 12/08/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225535												
	RPT		12/08/2019	00:45:44								
		VCK			ROSS // 37TH, VERNON							
			VPD	OURIQUE,CARLO	*44			00:45:44			01:12:04	
				MR C TOW	MR C TO	00:50:57	00:51:17	01:01:54				01:49:14
20191225541												
	VI		12/08/2019	01:58:37								
	RPT		TRAFFIC STOP		SANTA FE // BELGRAVE, VERNON							
	1015											
			VPD	OURIQUE,CARLO	*44			01:58:38			02:50:13	
			VPD	GODOY,RAYMON	38W			02:04:13			02:17:36	
			VPD	CAM,PATRICK	41E		02:03:51	02:04:18			04:40:46	
				USTOW	US TOW	02:41:23	02:41:51	02:50:03				05:00:43
20191225543												
	RPT		12/08/2019	02:48:05								
		602			2221 E 55TH, VERNON							
			VPD	GODOY,RAYMON	*38W		02:48:23	02:53:28				04:05:46
			VPD	OURIQUE,CARLO	44		02:50:13	02:51:46			03:35:26	
20191225546												
	VS		12/08/2019	04:02:33								
	RPT		VCK		5207 DOWNEY RD, VERNON							
			VPD	OURIQUE,CARLO	*44			04:02:33			04:55:24	
				MR C TOW	MR C TO	04:03:42	04:04:04	04:22:53				05:00:23
20191225555												
	1015		12/08/2019	08:42:23								
	RPT		PATCK		MODERN PATTERN							
					5610 ALCOA AV, VERNON							
			VPD	REDONA,BRYAN	*32E			08:42:23				10:39:42
			VPD	FINO,MARCUS	20E			08:46:47			09:36:23	
			VPD	VILLEGAS,RICHA	41W		08:55:28	08:58:10			10:08:35	
			VPD	CERDA,EUGENIO	44W		08:55:29	08:59:01			10:08:33	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/08/2019

Jurisdiction: VERNON

Last Date: 12/08/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225555												
1015		12/08/2019	08:42:23	MODERN PATTERN								
RPT		PATCK		5610 ALCOA AV, VERNON								
			VPD	ONOPA,DANIEL	S7	09:02:11		09:05:32			09:36:04	
20191225565												
RPT		12/08/2019	11:08:38									
		FOUND		4305 S SANTA FE AV, VERNON								
			VPD	VILLEGAS,RICHA	*41W	11:09:02	11:09:03	11:12:44				12:29:39
20191225576												
RPT		12/08/2019	15:01:10	T-MOBILE (877) 653-7911								
		20002R		S SANTA FE AV // 26TH, VERNON								
			VPD	REDONA,BRYAN	*32E	15:06:24					15:08:39	
			VPD	FINO,MARCUS	20E	15:06:26					15:13:43	
			VPD	VILLEGAS,RICHA	41W	15:09:01		15:11:02				15:39:33
20191225586												
1015		12/08/2019	18:06:35									
RPT		PATCK		2845 E 26TH, VERNON								
			VPD	FINO,MARCUS	*20E			18:06:36				19:21:35
			VPD	OURIQUE,CARLO	31	19:07:20	19:07:21	19:13:34			19:20:45	
			VPD	REDONA,BRYAN	32E		18:06:41	18:08:26			19:08:04	
			VPD	ONOPA,DANIEL	S7		18:22:19				18:50:16	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/09/2019

Jurisdiction: VERNON

Last Date: 12/09/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225616												
	1015		12/09/2019	01:15:52								
	RPT		TRAFFIC STOP		S SANTA FE AV // 48TH, VERNON				Department VPD	OCA Number CR20192001	RMS Juris CA0197300	
				VPD	CAM,PATRICK	*26W			01:15:52			04:02:26
				VPD	OURIQUE,CARLO	31			01:15:54		02:10:16	04:02:28
				VPD	GODOY,RAYMON	41E	03:16:15		03:19:49		03:34:15	
				VPD	ENCINAS,ANTHOI	XS			03:16:04		03:34:26	
20191225626												
	RPT		12/09/2019	04:43:21		T-MOBILE (877) 653-7911						
			901TR		E SLAUSON AV // DOWNEY RD, VERNON				Department VPD	OCA Number CR20192002	RMS Juris CA0197300	
				VPD	GODOY,RAYMON	*41E	04:44:19		04:53:07			06:02:25
				VPD	OURIQUE,CARLO	31	04:46:11		04:46:45		05:16:42	
				VPD	ENCINAS,ANTHOI	XS			05:16:49			06:02:26
20191225640												
	RPT		12/09/2019	07:41:31								
	VM		902T		4305 S SANTA FE AV, VERNON				Department VPD	OCA Number CR20192004	RMS Juris CA0197300	
	OR											
				VPD	REDONA,BRYAN	*22W	07:42:41	07:42:42	07:52:37			08:43:49
20191225641												
	RPT		12/09/2019	07:42:46								
			MR60		4305 S SANTA FE AV, VERNON				Department VPD	OCA Number CR20192003	RMS Juris CA0197300	
				VPD		*32W			07:42:48			07:43:33
20191225646												
	RPT		12/09/2019	08:39:10		VERNON ELEMENTRY						
			459R		2360 E VERNON AV, VERNON				Department VPD	OCA Number CR20192005	RMS Juris CA0197300	
				VPD	FINO,MARCUS	*32W	08:46:22	09:13:49			08:48:57	10:14:07
20191225677												
	RPT		12/09/2019	12:20:23		JETRO CASH AND CARRY						
			459VR		2300 E 57TH, VERNON				Department VPD	OCA Number CR20192006	RMS Juris CA0197300	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/09/2019

Jurisdiction: VERNON

Last Date: 12/09/2019

Call Number	Disp	Ten	Received	Caller										
		Code	Complaint	Address	Unit Time									
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp		
20191225677														
	RPT	12/09/2019	12:20:23	JETRO CASH AND CARRY										
		459VR		2300 E 57TH, VERNON										
			VPD	ZOZAYA,OSCAR	*40E	12:24:23	12:24:23				12:28:12			
			VPD	REDONA,BRYAN	22W		12:27:49				12:40:57			
			VPD	FINO,MARCUS	32W		12:40:55	12:49:32				13:19:58		
20191225696														
	SUP	12/09/2019	15:04:52	JETRO CASH AND CARRY										
		140		2300 E 57TH, VERNON										
			VPD	FINO,MARCUS	*32W		15:35:00	15:38:10				15:42:02		
20191225709														
	RPT	12/09/2019	18:13:59											
		20002R		LEONIS BL // BOYLE AV, VERNON										
			VPD	MADRIGAL,ALFOI	*20E	18:15:25	18:19:10					18:51:10		

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/10/2019

Jurisdiction: VERNON

Last Date: 12/10/2019

Call Number	Disp	Ten	Received	Caller	Unit Time										
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191225731															
	RPT		12/10/2019	05:07:08											
	VS		VCK				DOWNEY RD // VERNON AV, VERNON								
					VPD	ENCINAS,ANTHOI	*31W								
										05:07:09			06:47:13		
20191225738															
	RPT		12/10/2019	06:57:07			CHP								
			902T				S ATLANTIC BL // BANDINI BL, VERNON								
					VPD	ZOZAYA,OSCAR	*40E	07:00:19	07:00:20	07:08:08			07:00:53	07:54:31	
					VPD	FINO,MARCUS	38E			07:22:00			07:31:30		
20191225766															
	RPT		12/10/2019	09:20:44			AT&T MOBILITY 800 635 6840 4								
			901T				S SANTA FE AV // 48TH, VERNON								
					VPD	REDONA,BRYAN	*31		09:21:07	09:28:44			09:57:29		
					VPD	MADRIGAL,ALFOI	20W		09:21:33	09:22:13				10:07:43	
					VPD	MACIEL,CYNTHIA	2P8			09:26:15				10:07:44	
20191225767															
	RPT		12/10/2019	09:28:51			TONY TELLEZ								
	CITY		902T				EVERETT AV // FRUITLAND AV, VERNON								
					VPD	ZOZAYA,OSCAR	*40E		09:30:53	09:33:17				10:07:13	
20191225768															
	RPT		12/10/2019	09:47:35			UNK								
			484R				2600 E 28TH, VERNON								
					VPD	STEVENSON,KEN	*41W	09:51:22	09:51:23	09:54:37				10:13:00	
20191225793															
	VS		12/10/2019	12:05:30			HAWTHORNE AV // VERNON AV, VERNON								
			VCK												
					VPD	MACIEL,CYNTHIA	*2P8							12:55:01	
20191225803															

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/10/2019

Jurisdiction: VERNON

Last Date: 12/10/2019

Call Number	Disp	Ten	Received	Code	Complaint	Address	Dep	Officer	Unit	Unit Time					
										Dispatch	Enroute	OnScene	Depart	Arrive	Remove
20191225803															
	RPT		12/10/2019	13:25:54		MGS									
			920PR			4963 S SOTO, VERNON									
				VPD	CROSS,JEREMY				*5D30			13:35:03			13:35:08
20191225808															
	RPT		12/10/2019	13:50:20		LA EMBROIDERY									
			487R			3620 S SANTA FE AV, VERNON									
				VPD	MADRIGAL,ALFOI				*20W	13:54:48	13:55:03		14:04:38		14:30:25
											Department VPD		OCA Number CR20192014		RMS Juris CA0197300
20191225816															
	CITY		12/10/2019	15:08:13											
	RPT		909T			E VERNON AV // SANTA FE AV, VERNON									
				VPD	FINO,MARCUS				*38E	15:09:40	15:09:56	15:18:19			16:23:37
				VPD	MADRIGAL,ALFOI				20W		16:02:08	16:09:30			16:23:37
20191225818															
	RPT		12/10/2019	15:35:29		HPPD									
	1015		WARRANT			RITA // SATURN, VERNON									
				VPD	REDONA,BRYAN				*31	15:36:18	15:38:29	15:48:12			16:24:52
20191225821															
	1015		12/10/2019	16:22:52		UNK									
	RPT		602			5610 ALCOA AV, VERNON									
				VPD	FINO,MARCUS				*38E	16:24:04	16:24:28	16:28:22			17:41:46
				VPD	MADRIGAL,ALFOI				20W		16:33:54				16:41:12
				VPD	REDONA,BRYAN				31		16:24:56	16:25:58			17:14:25
				VPD	ZOZAYA,OSCAR				40E	16:24:05	16:24:30	16:26:36			17:14:14
				VPD	STEVENSON,KEN				41W			16:28:41			16:33:29
				VPD	ENCINAS,ANTHOI				XS		16:25:12	16:53:39			17:13:01
20191225839															

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/10/2019

Jurisdiction: VERNON

Last Date: 12/10/2019

Call Number	Disp	Ten	Received	Caller								
		Code	Complaint	Address	Unit Time							
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225839												
	RPT		12/10/2019	22:38:17								
	CITE		TRAFFIC STOP		53 // /MALABAR, VERNON				Department VPD	OCA Number CR20192017	RMS Juris CA0197300	
	VI											
			VPD	CERDA,PAUL,JR	*31W			22:38:17			23:38:36	
			VPD	LUCAS,JASON	26E		22:47:25	22:56:24			23:38:57	
			VPD	LANDA,RAFAEL	32	22:40:26	22:40:28	22:42:58			23:38:53	
			VPD	ENCINAS,ANTHOI	41		22:44:39	23:16:04			23:38:39	
20191225841												
	RPT		12/10/2019	23:40:13								
	VS		901T		5637 S DISTRICT BL, VERNON				Department VPD	OCA Number CR20192018	RMS Juris CA0197300	
	1015											
			VPD	LUCAS,JASON	*26E	23:41:32	23:41:34	23:44:56				05:22:07
			VPD	CERDA,PAUL,JR	31W		23:41:41	23:46:33			01:16:49	
			VPD	LANDA,RAFAEL	32		23:42:15	23:46:48			01:16:45	
			VPD	ENCINAS,ANTHOI	41		02:38:36	23:46:25			04:20:29	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/11/2019

Jurisdiction: VERNON

Last Date: 12/11/2019

Call Number	Disp	Ten	Received	Caller	Unit Time								
		Code	Complaint	Address	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191225849													
	RPT	12/11/2019	05:48:13	PRO PORTION FOODS									
		487R		3501 E VERNON AV, VERNON									
			VPD	CERDA,PAUL,JR	*31W	05:50:27	05:50:51	05:56:21				06:31:05	
20191225858													
	RPT	12/11/2019	08:02:23	OSCAR									
		GTAR		E SLAUSON AV // ALAMO AV, VERNON									
			VPD	DOCHERTY,MICH	*44	08:02:43	08:03:21				08:04:37		
			VPD	ZOZAYA,OSCAR	32E		08:15:24	08:23:05			08:31:33		
			VPD	MADRIGAL,ALFOI	40E		08:04:33	08:14:58				09:46:14	
20191225861													
	RPT	12/11/2019	08:09:50	ELCO LIGHTING									
		SRMET		2042 E VERNON AV, VERNON									
			VPD	DOCHERTY,MICH	*44	08:10:13	08:10:50	08:15:08			08:53:08		
			VPD	STEVENSON,KEN	31W		08:11:21	08:12:40			08:53:10		
			VPD	CERDA,EUGENIO	MET1			08:13:58				10:15:48	
20191225896													
	VREC	12/11/2019	14:14:34										
	RPT	REC		IRVING // 38TH, VERNON									
			VPD	VALENZUELA,FEI	*26W		14:17:25	14:35:13			16:11:54		
			VPD	STEVENSON,KEN	31W			14:42:12			15:03:05		
			VPD	ZOZAYA,OSCAR	32E		14:17:28				14:19:04		
20191225906													
	RPT	12/11/2019	17:38:22	NORMA									
		902T		SEVILLE AV // 46TH, VERNON									
			VPD	STEVENSON,KEN	*31W	17:39:59	17:40:14	17:44:17			18:04:12		
			VPD	VALENZUELA,FEI	26W			17:40:44				18:29:41	
			VPD	MADRIGAL,ALFOI	40E		18:24:57	17:44:19			18:04:50	18:29:42	
20191225908													

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/11/2019

Jurisdiction: VERNON

Last Date: 12/11/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225908												
	RPT	12/11/2019	18:22:43	MILLENNIUM PRODUCTS								
		902T		5699 S DISTRICT BL, VERNON								
			VPD	DOCHERTY,MICH	*44	18:26:23	18:26:26	18:33:56			19:10:09	
									Department	OCA Number	RMS Juris	
									VPD	CR20192024	CA0197300	
20191225909												
	RPT	12/11/2019	18:48:20	VERNON CITY HOUSING								
		SCAR		4322 FURLONG PL, VERNON								
			VPD	SANTOS,DANIEL	*S2			21:00:20			21:21:34	
			VPD	LUCAS,JASON	26W	21:41:28	21:21:32				21:25:30	23:08:19
									Department	OCA Number	RMS Juris	
									VPD	CR20192025	CA0197300	
20191225917												
	RPT	12/11/2019	21:43:58	ROBERTO FLORES								
		902TR		GRANDE VISTA AV // WASHINGTON BL, VERNON								
			VPD	REDONA,BRYAN	*31	21:47:33	21:48:07	21:57:18			22:39:15	
									Department	OCA Number	RMS Juris	
									VPD	CR20192026	CA0197300	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/12/2019

Jurisdiction: VERNON

Last Date: 12/12/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191225968												
	RPT		12/12/2019	17:02:53	EAST LA SHERIFFS							
		902T			4900 FRUITLAND AV, VERNON							
				VPD DOCHERTY,MICH	*41E	17:05:34	17:11:26					17:56:59
				VPD VALENZUELA,FEI	31W	17:14:10	17:25:37					17:56:59
20191225976												
	RPT		12/12/2019	19:58:33								
	VREC		REC		5555 S DISTRICT BL, VERNON							
	VS											
				VPD OURIQUE,CARLO	*41E			19:58:33			20:33:26	
				USTOW	US TOW	20:02:03	20:02:04	20:21:24				20:34:20

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/13/2019

Jurisdiction: VERNON

Last Date: 12/13/2019

Call Number	Disp	Ten	Received	Caller								
		Code	Complaint	Address	Unit Time							
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226011												
	RPT	12/13/2019	07:10:23	MARIBEL PEREZ								
		902T		BANDINI BL // ATLANTIC BL, VERNON								
			VPD	VALENZUELA,FEI	*32E	07:14:49		07:21:40				08:03:26
			VPD	VASQUEZ,LUIS	31E			07:39:28				08:03:26

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/14/2019

Jurisdiction: VERNON

Last Date: 12/14/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226088												
	RPT	12/14/2019	04:33:39	KYLE								
	CITY	BOSIG		S SANTA FE AV // 37TH, VERNON								
	CCN											
			VPD	OURIQUE,CARLO	*40W	04:34:23	04:35:14				04:36:00	
			VPD	GODOY,RAYMON	31W		04:35:58				04:42:23	
			VPD	NEWTON,TODD	41E			04:47:57				05:21:33
20191226089												
	VS	12/14/2019	04:36:06	T-MOBILE (877) 653-7911								
	RPT	901T		S SANTA FE AV // 37TH, VERNON								
	RPT											
	VS											
			VPD	OURIQUE,CARLO	*40W		04:36:44	04:38:39				05:45:39
			VPD	MANNINO,NICHOI	26E			04:42:57				05:45:38
			VPD	GODOY,RAYMON	31W			04:42:27				05:45:38
			VPD	NEWTON,TODD	41E			04:43:06			04:47:57	
				USTOW	US TOW	05:04:33	05:04:46	05:08:58				05:45:39
20191226091												
	RPT	12/14/2019	06:13:27	NORTON PACKAGING								
		594R		5800 S BOYLE AV, VERNON								
			VPD	MANNINO,NICHOI	*26E		06:19:53	06:23:57				07:01:15
			VPD	GODOY,RAYMON	31W			06:37:28			06:59:12	
20191226096												
	RPT	12/14/2019	08:18:41	ALI								
		20002		DOWNEY RD // FRUITLAND AV, VERNON								
			VPD	FINO,MARCUS	*38E		08:19:03	08:25:10			09:43:08	
			VPD	VELASQUEZ,RICH	32W			08:33:24			09:26:14	
			VPD	CERDA,EUGENIO	40E		08:19:05	08:23:43				10:14:21
			VPD	VASQUEZ,LUIS	41W			08:28:28			09:43:15	
				MR C TOW	MR C TO	09:00:15	09:00:49	09:05:00			09:43:12	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/14/2019

Jurisdiction: VERNON

Last Date: 12/14/2019

Call Number	Disp	Ten	Received	Caller		Unit Time							
		Code	Complaint	Address		Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191226124													
	1015		12/14/2019	19:45:32	OP HERRERA HPPD								
	RPT		WARRANT		STATE // WALNUT, VERNON								
				VPD	MANNINO,NICHOI	*26W	19:46:34		19:55:05				20:28:40

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/15/2019

Jurisdiction: VERNON

Last Date: 12/15/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226143												
	RPT	12/15/2019	00:08:25	A4 PUSHING THE LIMIT								
	ASST	459A		6199 MALBURG WY, VERNON					Department VPD	OCA Number CR20192035	RMS Juris CA0197300	
			VPD	MANNINO,NICHOI	*26W	00:23:22	00:27:52					04:24:16
			VPD		31E	00:30:22	00:38:56				01:55:25	
			VPD	NEWTON,TODD	40W	00:29:45	00:32:53				01:25:49	
			VPD	GODOY,RAYMON	41E	00:36:52	00:38:54				01:46:32	10:01:06
			VPD	ENCINAS,ANTHOI	XS	00:23:31	00:36:05				03:13:34	
20191226158												
	RPT	12/15/2019	07:44:40	J AND J SNACK FOODS								
		GTAR		5353 DOWNEY RD, VERNON					Department VPD	OCA Number CR20192036	RMS Juris CA0197300	
			VPD	FINO,MARCUS	*41E	07:48:19	07:49:00					08:33:19
			VPD		43	07:51:02	07:57:29				08:30:41	
20191226162												
	RPT	12/15/2019	10:01:11	A4 MOSHAY								
		459R		6199 MALBURG WY, VERNON					Department VPD	OCA Number CR20192037	RMS Juris CA0197300	
			VPD	REDONA,BRYAN	*40W	10:01:37	13:41:56				13:53:15	
			VPD	FINO,MARCUS	41E	10:05:04	10:09:45					15:00:45
			VPD	VILLEGAS,RICHA	XS		10:52:50				13:54:00	
20191226195												
	RPT	12/15/2019	20:43:04	J AND A IMPORTERS								
		459R		4398 AYERS AV, VERNON					Department VPD	OCA Number CR20192038	RMS Juris CA0197300	
			VPD	LUCAS,JASON	*26W	20:48:29	21:29:14				22:09:44	
			VPD	CERDA,PAUL,JR	31E	20:48:54	20:58:15				23:33:54	
			VPD	GODOY,RAYMON	32	21:01:29	21:05:25				22:10:17	
			VPD	ENCINAS,ANTHOI	XS	21:02:30	21:11:28				22:10:06	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Department Activity Report

First Date: 12/16/2019

Jurisdiction: VERNON

Last Date: 12/31/2019

Department	Complaint	All Units	Primary Unit
Type	Description		
VPD			
10-6	OFFICER IS 10-6 C7.961.962,10-10, WASH, EQUIPM	153	143
10-96C	10-96 CHARLES (CITY HALL SECURITY CHECK)	6	6
10-96H	PICK UP THE JAIL PAPER WORK FROM HP JAIL	2	2
140	SUPPLEMENTAL REPORT	3	2
20001R	INJURY HIT AND RUN REPORT	5	2
20002	NON-INJURY HIT AND RUN	2	1
20002R	NON-INJURY HIT AND RUN REPORT	6	4
242R	BATTERY REPORT	1	1
245R	ASSAULT WITH A DEADLY WEAPON REPORT	4	1
415	DISTURBING THE PEACE	36	12
417	BRANDISHING A WEAPON	3	1
422R	TERRORIST THREATS REPORT	4	2
451R	ARSON REPORT	3	1
459	BURGLARY	17	3
459A	AUDIBLE BURGLARY ALARM	192	101
459R	BURGLARY REPORT	14	6
459S	SILENT BURGLARY ALARM	28	15
459VR	BURGLARY TO A VEHICLE REPORT	3	3
476R	FRAUD REPORT	2	1
484R	PETTY THEFT REPORT	11	9
487R	GRAND THEFT REPORT	4	3
5150	SUBJECT WITH MENTAL DISABILITIES	5	1
586	PARKING PROBLEM	19	15
594	VANDALISM	9	3
594R	VANDALISM REPORT	14	8
602	TRESPASS	17	8
602R	TRESPASS REPORT	4	1
901	UNKNOWN INJURY TRAFFIC COLLISION	8	2
901T	INJURY TRAFFIC COLLISION	23	7
901TR	INJURY TRAFFIC COLLISION REPORT	2	1
902T	NON-INJURY TRAFFIC COLLISION	45	25
902TR	NON-INJURY TRAFFIC COLLISION REPORT	5	1

VERNON POLICE DEPARTMENT

Department Activity Report

First Date: 12/16/2019

Jurisdiction: VERNON

Last Date: 12/31/2019

<i>Department</i>	<i>Complaint</i>	<i>All Units</i>	<i>Primary Unit</i>
<i>Type</i>	<i>Description</i>		
VPD			
909C	TRAFFIC CONTROL	6	3
909T	TRAFFIC HAZARD	4	4
911	911 MISUSE / HANGUP	14	11
911A	CONTACT THE REPORTING PARTY	26	19
911NR	911 CALL NO RESPONSE REQUIRED	3	2
917A	ABANDONED VEHICLE	2	2
920PR	LOST PROPERTY REPORT	1	0
925	SUSPICIOUS CIRCUMSTANCES	26	10
927	UNKNOWN TROUBLE	6	1
A459	ATTEMPT BURGLARY	3	1
A459R	ATTEMPT BURGLARY REPORT	1	1
A484	ATTEMPT PETTY THEFT	3	1
ASSISTFD	ASSIST FIRE DEPARTMENT	41	16
BOSIG	BROKEN SIGNAL OR LIGHT	1	1
BOVEH	BROKEN DOWN VEHICLE	12	10
CITCK	CITATION CHECK	2	2
CIVIL	CIVIL MATTER	1	1
COP	COP DETAIL	7	5
DEMOSTRA	DEMONSTRATION	2	2
DET	DETECTIVE INVESTIGATION	23	10
DETAIL	DETAIL	3	3
DPTAST	DEPARTMENTAL ASSIST	10	3
DUI	DRIVING UNDER THE INFLUENCE	7	3
DUI CKPT	DUI CHECK POINT	1	1
DUITRAFFIC	DUI CHECK POINT TRAFFIC	15	13
FILING	OFFICER IS 10-6 REPORT WRITING	93	90
FOUND	FOUND PROPERTY REPORT	2	2
FU	FOLLOW UP	3	3
GTAR	GRAND THEFT AUTO REPORT	2	1
HBC	HAILED BY A CITIZEN	15	7
ILLDPG	ILLEGAL DUMPING	1	1
KTP	KEEP THE PEACE	3	1

VERNON POLICE DEPARTMENT

Department Activity Report

First Date: 12/16/2019

Jurisdiction: VERNON

Last Date: 12/31/2019

Department	Complaint	All Units	Primary Unit
Type	Description		
VPD			
LOJACK	LOJACK HIT	3	2
LPR	LICENSE PLATE READER	9	4
MR60	MISC REPORT	2	1
PANIC ALARM	PANIC ALARM/DURESS ALARM	4	1
PAPD	PUBLIC ASSIST-POLICE	12	8
PATCK	PATROL CHECK	171	148
PEDCK	PEDESTRIAN CHECK	73	36
PLATE	LOST OR STOLEN PLATES REPORT	2	2
PRSTRAN	PRISONER TRANSPORTED	7	7
REC	RECOVERED STOLEN VEHICLE	24	10
RECKLESS DF	RECKLESS DRIVING (23103)	14	5
REPO	REPOSSESSION	1	1
ROADRAGE	ROAD RAGE	5	2
RR	RAIL ROAD PROBLEM	4	3
SEAACA	SEAACA ANIMAL CALLS	1	1
SRMET	SRMET DETAIL	35	28
SUICIDAL SUE	SUICIDAL SUBJECT	4	1
TRAFFIC STOI	TRAFFIC STOP	203	160
UNATTACHED	UNATTACHED TRAILER	1	1
VCK	VEHICLE CHECK	141	130
VEH RELEASE	VEHICLE RELEASE	10	9
WELCK	WELFARE CHECK	23	8
Department:		1738	1189
Overall:		1738	1189

VERNON POLICE DEPARTMENT
Police Activity Report

Period Ending: 12/31/19

<u>TRAFFIC COLLISIONS</u>	<u>NO.</u>	<u>PROPERTY RECOVERED</u>
TOTAL	25	VEHICLES: \$0.00
NON-INJURY	18	
INJURY	7	
Persons Injured	9	
Pedestrian		
Fatalities		
City Property Damage	5	
Hit & Run (Felony)		
Hit & Run (Misdemeanor)	9	

<u>VEHICLES STORED</u>		<u>PROPERTY RECOVERED FOR OTHER DEPARTMENTS</u>
Unlicensed Driver	2	VEHICLES: \$10,500.00
Abandoned/Stored Vehicle	18	
Unattached Trailer		
Traffic Hazard		

<u>CITATIONS</u>	
Citations Iss (Prisoner Release)	27
Citations Iss (Other Violations)	
Parking	96
Hazardous	26
Non-Hazardous	52
Citations Iss (Moving)	78
Citations Iss (Total)	174

<u>CASES CLEARED BY ARREST</u>		
AR19-499	CR19-2040	459 PC
AR19-500	CR19-2050	496(A) PC
AR19-502	CR19-2069	647(F) PC
AR19-512	CR19-2104	245(A)(1) PC
AR19-513	CR19-2112	602 PC
AR19-522	CR19-2122	20001(A) VC
AR19-524	CR19-2129	369(I) PC

**VERNON POLICE DEPARTMENT
REPORT FOR PERSONS ARRESTED**

PERIOD ENDING: 12/31/2019

ADULT FELONY ARRESTS AND DISPOSITIONS			
	MALE	FEMALE	TOTAL
ASSAULT W/DEADLY WEAPON		1	1
BURGLARY	1		1
DRIVING UNDER THE INFLUENCE w/ INJURY			
DOMESTIC VIOLENCE			
GRAND THEFT: AUTO			
GRAND THEFT: PROPERTY			
HIT AND RUN	1		1
WARRANT (VERNON CASE)			
WARRANT (OUTSIDE AGENCY)	2		2
TOTAL FELONY ARRESTS	4	1	5

ADULT MISDEMEANOR ARRESTS AND DISPOSITIONS			
	MALE	FEMALE	TOTAL
COURT ORDER VIOLATION			
DRUNK IN PUBLIC	1		1
DRIVING UNDER THE INFLUENCE	9		9
DRIVING WITH SUSPENDED LICENSE	2		2
IGNITION INTERLOCK DEVICE REQUIRED	1	2	3
LARCENY	1		1
POSSESSION OF NARCOTICS			
POSSESSION OF PARAPHERNALIA			
TRESPASSING	4		4
TRESPASSING ON RAILROAD PROPERTY	1		1
VANDALISM			
WARRANT (VERNON CASE)	5		5
WARRANT (OUTSIDE AGENCY)			
TOTAL MISD. ARRESTS	24	2	26

JUVENILES DETAINED --- FELONY AND MISDEMEANOR			
	MALE	FEMALE	TOTAL
BURGLARY			
RESISTING ARREST			
ROBBERY			
VANDALISM			
WARRANT			
TOTAL JUVENILES DET.	0	0	0

TOTAL FELONY ARRESTS (ADULT) TO DATE:	122
TOTAL MISDEMEANOR ARRESTS (ADULT) TO DATE:	401
TOTAL JUVENILES DETAINED (FELONY AND MISDEMEANOR) TO DATE:	1
TOTAL ARRESTS AND DETAINED JUVENILES (FELONY AND MISDEMEANOR) TO DATE:	524

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/16/2019

Jurisdiction: VERNON

Last Date: 12/16/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226226												
	RPT		12/16/2019	08:01:01	MIRANDA							
		WELCK			PACIFIC BL // SANTA FE AV, VERNON							
			VPD	MADRIGAL,ALFOI	*20W	08:02:30	08:03:05	08:04:52				11:46:44
			VPD	REDONA,BRYAN	40E	08:02:32	08:03:08	08:07:02			09:45:37	
20191226233												
	SUP		12/16/2019	09:29:59	J AND A IMPORTS							
		911A			4398 AYERS AV, VERNON							
			VPD	ZOZAYA,OSCAR	*41E	09:30:48	09:31:10	09:46:04				11:05:59
20191226234												
	RPT		12/16/2019	09:33:54	LA CURACAO							
		459R			4444 AYERS AV, VERNON							
			VPD	REDONA,BRYAN	*40E		09:45:38	09:54:13				12:12:38
			VPD	HERNANDEZ,EDV	5d32			10:28:16			10:47:52	
			VPD	ESCOBEDO,ALEX	5d33			10:28:16			10:47:49	
20191226235												
	RPT		12/16/2019	09:42:54	AUTOMATIC SEWING							
		459VR			5527 S DISTRICT BL, VERNON							
			VPD	ZOZAYA,OSCAR	*41E		11:06:02	11:11:51				12:10:57
20191226239												
	RPT		12/16/2019	10:33:06	TRAC							
		487R			4641 PACIFIC BL, VERNON							
			VPD	FINO,MARCUS	*26W		10:45:09	11:01:54				11:54:06
20191226244												
	RPT		12/16/2019	11:20:32	CONSTRUCTION SITE							
		484R			S ATLANTIC BL // BANDINI BL, VERNON							
			VPD	MADRIGAL,ALFOI	*20W			11:47:17				12:26:43
			VPD	ZOZAYA,OSCAR	41E		12:11:45					12:26:44

VERNON POLICE DEPARTMENT
Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/16/2019

Last Date: 12/16/2019

Call Number	Dispatch	Ten Code	Received Complaint	Caller Address	Unit Time								
					Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove
20191226251													
	RPT		12/16/2019	12:50:23	ARQTEX								
			459R		2850 E VERNON AV, VERNON								
				VPD	FINO,MARCUS	*26W	13:03:42	13:07:01				13:22:59	15:56:59
20191226258													
	RPT		12/16/2019	14:04:27	HOFFY								
			FOUND		2731 S SOTO, VERNON								
				VPD	MADRIGAL,ALFOI	*20W	14:05:41	14:10:11				15:53:05	
20191226260													
	RPT		12/16/2019	15:01:41									
	1015		DET		6111 LOMA VISTA AV, VERNON								
				VPD	ESCOBEDO,ALEX	*5D33			15:01:41			16:45:39	
				VPD	REDONA,BRYAN	40E	15:11:36	15:21:09				17:46:52	17:48:08
				VPD	CROSS,JEREMY	5D30			15:05:11			16:27:45	
				VPD	HERNANDEZ,EDV	5D32			15:05:12			16:45:37	
20191226273													
	RPT		12/16/2019	19:29:22	A4 MOSHAY								
			459A		6200 MALBURG WY, VERNON								
				VPD	CERDA,PAUL,JR	*43E	19:30:53	19:31:46	19:41:15				22:23:51
				VPD	VASQUEZ,LUIS	32	19:30:58	19:31:43	19:35:34			21:56:19	
				VPD	CAM,PATRICK	38W		19:32:09	19:36:42			21:44:31	
				VPD	HERRERA,GUSTAF	S6			19:40:41			22:03:20	
20191226276													
	RPT		12/16/2019	22:03:18									
			902T		SLAUSON // MALBURG WAY, VERNON								
				VPD	HERRERA,GUSTAF	*S6			22:03:20			22:28:01	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/17/2019

Jurisdiction: VERNON

Last Date: 12/17/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226310														
	VS		12/17/2019	06:50:40	VERONICA									
			917A		S ALAMEDA // 27TH, VERNON					Department VPD	OCA Number CR20192048	RMS Juris CA0197300		
				VPD		*41W		06:52:45		06:59:39				07:35:58
20191226313														
	RPT		12/17/2019	07:13:46	CLARA MUNOZ									
			901T		E 55TH // ALAMEDA, VERNON					Department VPD	OCA Number CR20192049	RMS Juris CA0197300		
				VPD	MADRIGAL,ALFOI	*38W		07:15:08		07:17:47				08:00:05
				VPD	REDONA,BRYAN	31E		07:15:12					07:20:11	
				VPD	STEVENSON,KEN	40E		07:16:13		07:16:25				08:00:05
20191226328														
	MET		12/17/2019	09:00:03										
	RPT		SRMET		MALBURG WY // SLAUSON AV, VERNON					Department VPD	OCA Number CR20192050	RMS Juris CA0197300		
	1015													
				VPD	CERDA,EUGENIO	*MET1				09:00:03			10:37:31	
				VPD	MACIEL,CYNTHIA	2P8				10:02:31			10:53:03	
				VPD	REDONA,BRYAN	31E		09:17:14		09:23:17			10:48:26	
				VPD	MADRIGAL,ALFOI	38W				10:04:17			10:43:57	
				VPD	STEVENSON,KEN	40E		09:16:27		09:19:31			09:46:30	
				VPD	CROSS,JEREMY	5D30		09:18:32						11:48:32
				VPD	HERNANDEZ,EDV	5D32				09:44:39				11:48:32
				VPD	ESCOBEDO,ALEX	5D33				09:44:39				11:48:33
20191226332														
	SUP		12/17/2019	09:33:19	A4 MOSHAY									
			140		6199 MALBURG WY, VERNON									
				VPD	MADRIGAL,ALFOI	*38W		09:41:58					09:45:46	
				VPD	STEVENSON,KEN	40E				09:46:32				10:22:00
20191226344														
	RPT		12/17/2019	11:25:02										
			PEDCK		4600 S SANTA FE AV, VERNON					Department VPD	OCA Number CR20192051	RMS Juris CA0197300		

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/17/2019

Jurisdiction: VERNON

Last Date: 12/17/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226344												
	RPT	12/17/2019	11:25:02									
		PEDCK		4600 S SANTA FE AV, VERNON								
			VPD	MADRIGAL,ALFOI	*38W			11:25:02			12:27:57	
			VPD	ZOZAYA,OSCAR	41W			11:27:36			11:41:55	
			VPD	CERDA,EUGENIO	MET1	11:29:51	11:29:52	12:03:31			11:40:47	13:19:44
20191226367												
	RPT	12/17/2019	15:19:36	UNK								
		902T		2459 E VERNON AV, VERNON								
			VPD	ZOZAYA,OSCAR	*41W			15:20:56				16:21:01
20191226369												
	RPT	12/17/2019	15:26:48									
		PEDCK		E 26TH // MINERVA, VERNON								
			VPD	MADRIGAL,ALFOI	*38W			15:26:48				16:55:58
			VPD	REDONA,BRYAN	31E		15:29:08	15:34:43			16:09:05	
20191226373												
	VREC	12/17/2019	16:39:30									
		REC		E 49TH // LOMA VISTA AV, VERNON								
			VPD	STEVENSON,KEN	*40E			16:39:30				17:22:23

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/18/2019

Jurisdiction: VERNON

Last Date: 12/18/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226405												
	RPT		12/18/2019	07:48:33								
		FOUND			4305 S SANTA FE AV, VERNON							
			VPD	MADRIGAL,ALFOI	*20E	07:48:33		07:54:32				08:17:27
									Department VPD	OCA Number CR20192054	RMS Juris CA0197300	
20191226416												
	NX		12/18/2019	09:14:33								
	VOID	902T			JAIRO BONANO BANDINI BL // ATLANTIC BL, VERNON							
			VPD	ZOZAYA,OSCAR	*40	09:17:34					09:19:52	
			VPD	CAM,PATRICK	31W	09:19:35		09:30:31				09:56:09
									Department VPD	OCA Number CR20192055	RMS Juris CA0197300	
20191226418												
	RPT		12/18/2019	09:35:44								
		911A			4305 S SANTA FE AV, VERNON							
			VPD	MADRIGAL,ALFOI	*20E			09:37:14				10:02:06
									Department VPD	OCA Number CR20192056	RMS Juris CA0197300	
20191226433												
	RPT		12/18/2019	13:02:59								
		20002R			DARIO GODOY 4330 E 26TH, VERNON							
			VPD	CAM,PATRICK	*31W	13:05:49		13:21:43				13:52:10
									Department VPD	OCA Number CR20192057	RMS Juris CA0197300	
20191226441												
	RPT		12/18/2019	14:35:00								
		484R			OAK MFG 2120 E 25TH, VERNON							
			VPD	CAM,PATRICK	*31W	14:36:51		14:41:18				15:10:57
									Department VPD	OCA Number CR20192058	RMS Juris CA0197300	
20191226449												
	RPT		12/18/2019	17:08:14								
		20002R			ALEJANDRA CUDAHY // DISTRICT, VERNON							
			VPD	ZOZAYA,OSCAR	*40	17:10:11		17:14:52				17:50:46
									Department VPD	OCA Number CR20192059	RMS Juris CA0197300	
20191226450												
	RPT		12/18/2019	17:14:26								
		20001R			SELINA COLLINS DOWNEY RD // VERNON AV, VERNON							
									Department VPD	OCA Number CR20192060	RMS Juris CA0197300	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/18/2019

Jurisdiction: VERNON

Last Date: 12/18/2019

Call Number	Disp	Ten	Received	Caller		Unit Time									
		Code	Complaint	Address		Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226450															
	RPT		12/18/2019	17:14:26	SELINA COLLINS										
			20001R		DOWNEY RD // VERNON AV, VERNON										
				VPD	MADRIGAL,ALFOI	*38E									
									17:17:55						17:49:53
20191226451															
	RPT		12/18/2019	17:47:46	JESUS ALONZO										
			902T		BANDINI // PENNINGTON, VERNON										
				VPD	CAM,PATRICK	*31W			17:49:45	17:59:58				18:44:10	
				VPD	MADRIGAL,ALFOI	38E			17:49:56	18:07:29					18:44:38

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/19/2019

Jurisdiction: VERNON

Last Date: 12/19/2019

Call Number	Disp	Ten	Received	Code	Complaint	Caller	Address	Unit Time				
								Dep	Officer	Unit	Dispatch	Enroute
20191226476												
	RPT		12/19/2019	08:32:20		MAKESPACE						
		484R				5275 S DISTRICT BL, VERNON						
				VPD	VALENZUELA,FEI	*26E		08:34:07		08:59:23		09:08:24
20191226489												
	RPT		12/19/2019	14:25:24								
	OR		901TR			5000 PACIFIC BL, VERNON						
				VPD	VASQUEZ,LUIS	*40W	14:57:44	14:25:43		14:26:49		15:25:09
				VPD	VALENZUELA,FEI	26E				14:33:52	14:44:13	
					MR C TOW	MR C TO		14:58:25		15:07:30		15:25:09
20191226490												
	VREC		12/19/2019	14:45:02								
	RPT		REC			PACIFIC BL // SANTA FE AV, VERNON						
				VPD	VALENZUELA,FEI	*26E				14:57:03		16:22:23
				VPD	STEVENSON,KEN	43		14:58:22		15:03:52		16:12:11
				VPD	MARTINEZ,GABRI	S5				14:58:34		15:28:20
20191226494												
	RPT		12/19/2019	15:56:56		AMERICAN PRINT WORKS						
		594R				2126 E 52D, VERNON						
				VPD	VASQUEZ,LUIS	*40W		15:58:43		15:59:59		16:35:20
20191226495												
	1015		12/19/2019	16:33:19		PASSERBY						
		909C				26TH ST // PENNINGTON WAY, VERNON						
				VPD	STEVENSON,KEN	*43		16:35:26		16:43:53		17:15:58
20191226498												
	RPT		12/19/2019	17:13:29		ANGEL						
		902T				52D DR // ATLANTIC BL, VERNON						
				VPD	VALENZUELA,FEI	*26E		17:15:33		17:20:15		17:54:11
				VPD	VASQUEZ,LUIS	40W		17:16:28		17:23:04		17:48:22

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/19/2019

Jurisdiction: VERNON

Last Date: 12/19/2019

Call Number	Dispatch	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226498												
	RPT	12/19/2019	17:13:29	ANGEL								
		902T		52D DR // ATLANTIC BL, VERNON								
			VPD	STEVENSON,KEN	43		17:20:20		Department VPD	OCA Number CR20192066	RMS Juris CA0197300	
											17:51:35	
20191226499												
	RPT	12/19/2019	17:47:44	AT&T MOBILITY 800 635 6840 4								
		901T		S SANTA FE AV // VERNON AV, VERNON								
			VPD	VASQUEZ,LUIS	*40W		17:48:28	17:52:53				19:41:45
			VPD	VALENZUELA,FEI	26E		17:56:55	17:58:57				18:53:42
			VPD	MANNINO,NICHOI	31		18:47:09	18:53:39				19:37:41
			VPD	MARTINEZ,GABRI	S5			17:49:04				18:26:13
				USTOW	US TOW		18:54:21	19:25:02				19:44:04
20191226500												
	RPT	12/19/2019	17:50:31	FLORENCIO CASTELLANOS								
		901		E 57TH // SANTA FE AV, VERNON								
			VPD	STEVENSON,KEN	*43		17:51:57	17:57:36				18:32:41
20191226501												
	VREC	12/19/2019	18:23:11	KREUGER TOW								
		REC		4243 SHIRLEY AVE, LYNWOOD								
			VPD	RECORDS BUREA/	*RECD			18:55:31				19:04:24
20191226502												
	1015	12/19/2019	18:24:24	T-MOBILE (877) 653-7911								
	RPT	925		2443 E 27TH, VERNON								
			VPD	MARTINEZ,GABRI	*S5		18:26:16					18:47:33
			VPD	VALENZUELA,FEI	26E		18:28:53	18:31:01				18:33:32
			VPD	OURIQUE,CARLO	32W			18:31:55				19:45:11
			VPD	SANTOS,DANIEL	S2		18:30:44					18:51:48
20191226504												

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/19/2019

Jurisdiction: VERNON

Last Date: 12/19/2019

Call Number	Disp	Ten	Received	Caller		Unit Time									
		Code	Complaint	Address		Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226504															
	RPT		12/19/2019	19:36:32											
			901T		5555 S DISTRICT BL, VERNON										
				VPD	MANNINO,NICHOI		*31		19:37:43		19:42:04				20:36:00
				VPD	OURIQUE,CARLO		32W		19:45:17					20:12:03	
				VPD	NEWTON,TODD		40				19:53:48				20:36:00
					MR C TOW		MR C TO	20:00:51	20:01:23					20:07:37	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT
Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/20/2019

Last Date: 12/20/2019

Call Number	Disp	Ten	Received	Caller	Address	Unit Time					
						Dep	Officer	Unit	Dispatch	Enroute	OnScene
20191226538											
	RPT		12/20/2019	06:49:55	OLVE						
			902T		LEONIS BL // PACIFIC BL, VERNON						
				VPD		*43W		06:53:22	07:01:50		07:54:54
				VPD	MANNINO,NICHOI	26E			06:57:17		07:05:15
20191226539											
	RPT		12/20/2019	07:02:14	MAKESPACE						
			594R		5275 S DISTRICT BL, VERNON						
				VPD		*41E		07:05:56	07:21:00		08:15:20
				VPD	CERDA,EUGENIO	44		07:56:29			07:56:30
20191226541											
	VS		12/20/2019	07:13:06	PACIFIC DESIGNS						
	RPT		586		3228 E 50TH, VERNON						
				VPD	CERDA,EUGENIO	*44			07:23:33		07:56:23
					MR C TOW	MR C TO		07:26:50	07:37:26		07:56:24
20191226543											
	RPT		12/20/2019	07:33:22	HUMBERTO GOMEZ						
	OR		902T		BANDINI BL // DOWNEY RD, VERNON						
				VPD	MARTINEZ,GABRI	*S5		07:37:20			07:43:31
				VPD	VALENZUELA,FEI	43W		07:54:58	07:59:36		08:49:24
				VPD	CERDA,EUGENIO	44		07:56:35	07:59:42		09:32:48
				VPD	ONOPA,DANIEL	S7		07:37:22			07:43:33
					USTOW	US TOW	08:56:13	08:56:13	09:10:09		09:32:12
20191226564											
	RPT		12/20/2019	14:09:13	CALIFORNIA BAZAR						
			476R		2845 E 26TH, VERNON						
				VPD	VALENZUELA,FEI	*43W			14:24:52		15:01:34
				VPD	VASQUEZ,LUIS	41E	14:11:47	14:11:47	14:23:47		15:01:34
20191226582											

VERNON POLICE DEPARTMENT
Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/20/2019

Last Date: 12/20/2019

Call Number	Disp	Ten Code	Received Complaint	Caller Address	Unit Time								
					Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove
20191226582													
	RPT		12/20/2019 20:32:40										
			DUI CKPT		S SANTA FE AV // 37TH, VERNON								
			VPD	ENCINAS,ANTHONI	*3L4			20:32:42				01:47:22	02:40:46
				USTOW	US TOW	00:33:52						00:33:57	
20191226586													
	VI		12/20/2019 21:10:13										
			DUI TRAFFIC		S SANTA FE AV // 37TH, VERNON								
			VPD	REDONA,BRYAN	*3L7			21:11:44					21:34:45
				MR C TOW	MR C TO	21:10:24		21:22:25					21:34:45
20191226598													
	CITE		12/20/2019 22:14:30										
	RPT		DUI TRAFFIC		S SANTA FE AV // 27TH, VERNON								
	1015												
	VI												
				VPD	CAM,PATRICK	*3L8			22:14:30				23:52:18
				VPD	GODOY,RAYMON	32E		22:18:22	22:26:03			23:51:46	
					MR C TOW	MR C TO	22:50:44		23:03:44			23:07:24	
20191226599													
	RPT		12/20/2019 22:22:35										
	1015		DUI TRAFFIC		S SANTA FE AV // 37TH, VERNON								
	VI												
				VPD	ZOZAYA,OSCAR	*3L9			22:22:37				00:26:15
					USTOW	US TOW	22:32:13	22:32:35	22:42:17			23:03:58	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/21/2019

Jurisdiction: VERNON

Last Date: 12/21/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226617														
	CITE		12/21/2019 00:34:20											
	VI		DUI TRAFFIC	S SANTA FE AV // 37TH, VERNON										
			VPD	STEVENSON, KEN			*3L11			00:34:20				01:31:47
20191226620														
	RPT		12/21/2019 00:48:11											
	1015		TRAFFIC STOP	3200 E SLAUSON AV, VERNON										
	VI													
			VPD	OURIQUE, CARLO			*40E			00:48:11				02:21:46
			VPD	MANNINO, NICHOI			20W			01:16:47			01:23:51	
			VPD	GODOY, RAYMON			32E	00:50:28		00:55:23			01:47:01	
20191226623														
	RPT		12/21/2019 01:18:32											
	1015		DUI TRAFFIC	S SANTA FE AV // 27TH, VERNON										
	VI													
			VPD	CAM, PATRICK			*3L8			01:18:32				03:24:12
20191226624														
	1015		12/21/2019 01:26:59											
	RPT		DUI TRAFFIC	S SANTA FE AV // 27TH, VERNON										
	VI													
			VPD	ENCINAS, ANTHOI			*3L5			01:26:59			01:28:20	
			VPD	REDONA, BRYAN			3L7			01:28:17				03:10:00
20191226633														
	RPT		12/21/2019 05:35:10	BENS GENERAL										
		459		5218 S SANTA FE AV, VERNON										
			VPD	MANNINO, NICHOI			*20W	05:37:08		05:38:37				08:02:34
			VPD	FINO, MARCUS			26E			06:52:32			07:29:34	
			VPD	GODOY, RAYMON			32E			05:40:05			06:59:54	
			VPD	OURIQUE, CARLO			40E			05:38:27			06:50:35	
			VPD	NEWTON, TODD			41W	05:37:12		05:40:07			06:47:48	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/21/2019

Jurisdiction: VERNON

Last Date: 12/21/2019

Call Number	Disp	Ten	Received	Caller	Unit Time										
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191226633															
	RPT	12/21/2019	05:35:10	BENS GENERAL											
		459		5218 S SANTA FE AV, VERNON											
			VPD	VALENZUELA,FEI			43W			07:20:39			07:29:19		
			VPD	ESTRADA,IGNACI			S3			05:42:17			06:06:10		
20191226644															
	VS	12/21/2019	09:05:03												
	RPT	TRAFFIC STOP		S ATLANTIC BL // DISTRICT BL, VERNON											
	CITE														
			VPD	FINO,MARCUS			*26E			09:05:03				10:17:10	
			VPD	VASQUEZ,LUIS			41W	09:27:51		09:32:48			10:06:49		
			VPD	CERDA,EUGENIO			44E	09:23:41					09:23:43		
20191226681															
	VREC	12/21/2019	16:43:48												
	RPT	REC		S SOTO // 26TH, VERNON											
			VPD	CERDA,EUGENIO			*44E			16:45:39				18:04:00	
			VPD	FINO,MARCUS			26E	16:45:51		16:54:03			16:56:45		
			VPD	VASQUEZ,LUIS			41W	16:45:53		16:54:01			17:28:02		
			VPD	VALENZUELA,FEI			43W	16:45:41		16:46:55			17:23:18		
			VPD	ONOPA,DANIEL			S7	16:45:54		16:46:52			16:57:41		
20191226683															
	RPT	12/21/2019	17:08:59	MARCO BARRERA											
		422R		E SLAUSON AV // ALCOA AV, VERNON											
			VPD	FINO,MARCUS			*26E	17:12:11		17:16:45				18:48:27	
			VPD	VALENZUELA,FEI			43W	17:27:57		17:32:21			17:37:25		
20191226704															
	RPT	12/21/2019	21:44:23												
		VCK		3364 E SLAUSON AV, VERNON											
			VPD	OURIQUE,CARLO			*40			21:44:23				22:17:29	

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Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/21/2019

Last Date: 12/21/2019

Call Number	Disp	Ten	Received	Caller		Unit Time										
		Code	Complaint	Address		Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191226710																
	RPT		12/21/2019	22:17:46												
	1015		PEDCK			1955 E 55TH, VERNON										
					VPD	ESTRADA,IGNACI	*S3				22:17:46				22:52:48	
					VPD	MANNINO,NICHOI	20W		22:17:48		22:22:28				22:46:20	
					VPD	MADRIGAL,ALFOI	31E		22:18:56		22:30:42				22:46:18	
					VPD	OURIQUE,CARLO	40				22:19:14					23:06:27

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/22/2019

Jurisdiction: VERNON

Last Date: 12/22/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226730												
	1015		12/22/2019	02:31:54								
	RPT		TRAFFIC STOP		SLAUSON // TEMPLETON, VERNON				Department VPD	OCA Number CR20192090	RMS Juris CA0197300	
	VI											
				VPD	OURIQUE,CARLO			02:31:54				04:12:23
				VPD	MANNINO,NICHOI			02:37:48			03:39:24	
				VPD	MADRIGAL,ALFOI		02:32:03	02:39:32			03:39:26	
20191226732												
	RPT		12/22/2019	03:53:37					Department VPD	OCA Number CR20192091	RMS Juris CA0197300	
	1015		PEDCK		S SANTA FE AV // VERNON AV, VERNON							
				VPD	MADRIGAL,ALFOI			03:53:37				05:11:05
				VPD	MANNINO,NICHOI		03:54:05	03:57:24			04:15:56	
20191226745												
	RPT		12/22/2019	08:26:40	AT&T MOBILITY 800 635 6840 4				Department VPD	OCA Number CR20192092	RMS Juris CA0197300	
			451R		S ALAMEDA // 49TH, VERNON							
				VPD	REDONA,BRYAN		08:29:26	08:31:19				09:45:07
				VPD	CERDA,EUGENIO		08:33:02	08:48:17			08:58:59	
				VPD	ONOPA,DANIEL			08:33:05				09:45:07
20191226752												
			12/22/2019	10:45:11					Department VPD	OCA Number CR20192093	RMS Juris CA0197300	
	RPT		HBC		E DISTRICT BL // DOWNEY RD, VERNON							
				VPD	FINO,MARCUS			10:45:14				11:18:51
				VPD	REDONA,BRYAN		10:46:15	10:50:01			10:59:33	
				VPD	CERDA,EUGENIO		10:46:09	10:49:20				11:18:53
				VPD	ONOPA,DANIEL		10:47:44	10:50:03				11:18:53
20191226770												
	RPT		12/22/2019	17:10:18					Department VPD	OCA Number CR20192094	RMS Juris CA0197300	
			PEDCK		2119 E 25TH, VERNON							
				VPD	REDONA,BRYAN			17:10:28				18:00:25

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/22/2019

Jurisdiction: VERNON

Last Date: 12/22/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226770														
	RPT		12/22/2019	17:10:18										
			PEDCK		2119 E 25TH, VERNON									
				VPD	FINO,MARCUS	38E		17:18:21		17:29:52			17:58:36	
				VPD	CERDA,EUGENIO	44		17:32:04		17:37:22			17:58:38	
				VPD	ONOPA,DANIEL	S7		17:32:07		17:32:15			17:58:39	
20191226787														
	RPT		12/22/2019	20:30:02	AUTOZONE									
			HBC		3751 SLAUSON AV, VERNON									
				VPD	ESTRADA,IGNACI	*S3				20:30:02				20:43:45
				VPD	CAM,PATRICK	26E				20:32:58			20:42:31	
				VPD	GODOY,RAYMON	38W				20:32:19				20:43:44
				VPD	VASQUEZ,LUIS	43		20:30:06		20:32:04				20:43:44
				VPD	NEWTON,TODD/C	T8				20:32:38				20:43:45

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/23/2019

Jurisdiction: VERNON

Last Date: 12/23/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226839												
	RPT	12/23/2019	07:08:24	VERIZON WIRELESS 1-800-451-5242								
		902T		3187 BANDINI BL, VERNON								
			VPD	MADRIGAL,ALFOI	*32E	07:10:25	07:10:45	07:17:28				07:50:04
20191226842												
	RPT	12/23/2019	07:47:24	THE BRAKE CO								
		459R		3838 FRUITLAND AV, VERNON								
			VPD	REDONA,BRYAN	*41E		07:49:53	08:03:17				08:11:44
20191226845												
	RPT	12/23/2019	08:20:39	SHOW ROOM INTERIOR								
		487R		4900 E 50TH, VERNON								
			VPD	MANNINO,NICHOI	*38W		08:35:10	08:40:18			09:45:40	
			VPD	MADRIGAL,ALFOI	32E		08:38:46				08:46:01	
20191226860												
	RPT	12/23/2019	11:38:02	JJ								
		459VR		2808 E 54TH, VERNON								
			VPD	MADRIGAL,ALFOI	*32E	11:38:44	11:38:57	11:45:46				12:40:07
20191226861												
	RPT	12/23/2019	11:45:03	SPRINT 866-398-3284								
		A484		ALCOA AV // VERNON AV, VERNON								
			VPD	REDONA,BRYAN	*41E	11:47:16	11:47:58	12:03:00				12:17:36
			VPD	FINO,MARCUS	31W			11:52:09			12:02:44	
			VPD	MANNINO,NICHOI	38W			12:02:42			12:03:09	
20191226880												
	RPT	12/23/2019	18:19:13									
	VS	901T		SEVILLE AV // 37TH, VERNON								
	OR											
			VPD	FINO,MARCUS	*31W	18:20:15	18:20:16	18:37:49				19:47:11
			VPD	CAM,PATRICK	26E			18:53:41			19:18:58	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/23/2019

Jurisdiction: VERNON

Last Date: 12/23/2019

Call Number	Disp	Ten	Received	Caller		Unit Time								
		Code	Complaint	Address		Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp	
20191226880														
	RPT		12/23/2019	18:19:13										
	VS		901T		SEVILLE AV // 37TH, VERNON									
	OR													
				VPD	MANNINO,NICHOI		38W		18:27:56	18:32:45			19:14:00	
				VPD	REDONA,BRYAN		41E		18:32:59	18:35:48			19:13:52	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/24/2019

Jurisdiction: VERNON

Last Date: 12/24/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226931														
	RPT		12/24/2019	10:05:49										
			484R			4611 52D DR, VERNON S/A 221								
				VPD	REDONA,BRYAN	*41E				10:05:57				10:22:07
20191226953														
	SUP		12/24/2019	13:21:50		GOLDEN WEST								
			487R			4401 DOWNEY RD, VERNON								
				VPD	MADRIGAL,ALFOI	*38W		13:22:39		13:43:44				14:36:15
20191226971														
	RPT		12/24/2019	23:49:06		T-MOBILE (877) 653-7911								
	CITY		902T			S SOTO // BANDINI BL, VERNON								
	1015													
	VI													
				VPD	LUCAS,JASON	*43	23:50:02	23:50:34	00:01:18				01:30:32	
				VPD	CERDA,PAUL,JR	26	23:50:32	23:50:39	23:52:50				01:53:12	
				VPD	GODOY,RAYMON	41		23:56:53	00:07:33					02:39:12
				VPD	HERRERA,GUSTAF	S6			00:07:31				01:50:33	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/25/2019

Jurisdiction: VERNON

Last Date: 12/25/2019

Call Number	Disp	Ten	Received	Caller								
		Code	Complaint	Address	Unit Time							
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191226993												
	1015		12/25/2019	14:35:36								
	RPT	245R		4305 S SANTA FE AV, VERNON				Department	OCA Number	RMS Juris		
	VS							VPD	CR20192104	CA0197300		
				VPD	DOCHERTY,MICH	*44		14:36:03				16:04:10
				VPD	MADRIGAL,ALFOI	40E		14:36:16			15:30:01	
				VPD	STEVENSON,KEN	43W		14:36:07			14:48:44	16:04:10
				VPD	MARTINEZ,GABRI	S5		14:36:05				16:04:11
20191227000												
	RPT		12/25/2019	20:03:38								
	VREC	REC		E 37TH // ROSS, VERNON				Department	OCA Number	RMS Juris		
				VPD	CAM,PATRICK	*26W		20:03:38			20:45:30	
				VPD	LUCAS,JASON	32	20:17:42	20:17:40	20:28:35		20:45:35	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/26/2019

Jurisdiction: VERNON

Last Date: 12/26/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227013												
	OR	12/26/2019	01:07:24									
	1098	909C	S ATLANTIC BL // BANDINI BL, VERNON									
	RPT											
			VPD	CAM,PATRICK	*26W			01:07:25				03:16:29
			VPD	LUCAS,JASON	32			01:12:35			02:06:28	
			VPD	GODOY,RAYMON	38E		01:07:29	01:12:07			02:08:26	
			VPD	CAM,PATRICK	40W			05:02:11				05:05:22
20191227015												
	RPT	12/26/2019	02:05:15	T-MOBILE (877) 653-7911								
	OR	901T	S SANTA FE AV // 56TH, VERNON									
			VPD	LUCAS,JASON	*32	02:06:30	02:06:31				02:46:51	
			VPD	GODOY,RAYMON	38E		02:08:28	02:12:08			03:05:51	
20191227039												
	RPT	12/26/2019	09:34:37	FANTASY ACTIVEWEAR								
		459R	5389 ALCOA AV, VERNON									
			VPD	CERDA,EUGENIO	*32E		09:36:38	09:41:27				11:37:26
20191227040												
	RPT	12/26/2019	09:39:15	PREMIUM CUTTING								
		484R	5401 S BOYLE AV, VERNON									
			VPD	DOCHERTY,MICH	*40		09:43:26	09:54:02				10:19:52
20191227046												
	RPT	12/26/2019	11:16:48	OKK TRADING								
		484R	2721 E 45TH, VERNON									
			VPD	STEVENSON,KEN	*31W		11:21:26	11:33:27			12:12:32	
20191227049												
	RPT	12/26/2019	12:15:33	BLACKSTEN INDUSTRIAL								
		A459R	5005 E SLAUSON AV, VERNON									
			VPD	CERDA,EUGENIO	*32E		12:23:24	12:34:18				13:05:02

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/26/2019

Jurisdiction: VERNON

Last Date: 12/26/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227053														
	RPT		12/26/2019	14:07:30	A&B APPAREL									
			484R		2133 E 38TH, VERNON									
				VPD	CERDA,EUGENIO	*32E		14:10:40		14:16:05				17:39:42
				VPD	STEVENSON,KEN	31W		14:10:58					14:23:53	
20191227055														
	1015		12/26/2019	14:28:36	MODERN PATTERN									
	RPT		459		5610 ALCOA AV, VERNON									
	VS													
				VPD	STEVENSON,KEN	*31W		14:30:33		14:36:45			17:36:28	
				VPD	CERDA,EUGENIO	32E		14:40:22		14:45:38			16:49:37	
				VPD	DOCHERTY,MICH	40		14:30:43		14:36:38			17:37:13	
				VPD	ESCOBEDO,ALEX	5D33				14:57:37			15:18:24	
				VPD	RAMOS,JOSE	5D35		14:42:56		14:46:40			15:18:22	
				VPD	PEREZ,NICK	L2		14:41:17		14:46:44			15:18:14	
				VPD	MARTINEZ,GABRI	S5				14:35:18			16:34:14	
20191227067														
	RPT		12/26/2019	19:42:55										
	1015		TRAFFIC STOP		MALABAR // 54TH, VERNON									
	VI													
				VPD	OURIQUE,CARLO	*41W				19:42:55				21:23:18
				VPD	NEWTON,TODD	43W				19:43:44			21:20:05	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/27/2019

Jurisdiction: VERNON

Last Date: 12/27/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227088												
	RPT		12/27/2019	02:00:32	DEBRA							
			459R		2575 S SANTA FE AV, VERNON							
				VPD	OURIQUE,CARLO	*41W	02:01:34	02:02:13	02:05:43			04:52:59
				VPD	MANNINO,NICHOI	32E		02:02:06	02:03:53		02:39:50	
				VPD	NEWTON,TODD	43W	02:01:36	02:02:15	02:05:45			04:52:59
				VPD	CERDA,PAUL,JR	44E		02:02:40	02:05:46			04:53:00
				VPD	VILLEGAS,RICHA	XS			02:06:15			04:53:00
20191227112												
	RPT		12/27/2019	13:50:07	TAPATIO FOODS LLC							
			422R		4685 E DISTRICT BL, VERNON							
				VPD	CERDA,EUGENIO	*43E	13:51:22	13:58:27				14:28:17
				VPD	ONOPA,DANIEL	S7		13:59:17				14:28:17
20191227113												
	VOID		12/27/2019	14:01:37								
			FILING		4611 52D DR, VERNON							
				VPD	DOCHERTY,MICH	*44E		14:01:37				15:22:45
20191227131												
	RPT		12/27/2019	21:48:49								
	1015		PATCK		6200 MALBURG WY, VERNON							
				VPD	NEWTON,TODD/C	*43		21:48:49				22:33:07
				VPD	MANNINO,NICHOI	20E	21:57:19	21:58:21		22:06:44		
20191227144												
	RPT		12/27/2019	23:43:54								
	1015		TRAFFIC STOP		E VERNON AV // HAWTHORNE AV, VERNON							
				VPD	NEWTON,TODD/C	*43		23:43:54				00:32:07

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/28/2019

Jurisdiction: VERNON

Last Date: 12/28/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227166												
	RPT	12/28/2019	08:26:35	LEONS TEXTILE								
		484R		1945 E 55TH, VERNON								
			VPD	CERDA,EUGENIO	*43W	08:30:53	08:31:31	08:41:18			09:08:37	
									Department	OCA Number	RMS Juris	
									VPD	CR20192119	CA0197300	
20191227170												
	RPT	12/28/2019	10:41:31	HPPD								
		459VR		2438 E 52D, VERNON								
			VPD	CERDA,EUGENIO	*43W	10:43:34	10:43:35	10:46:33			11:10:15	
									Department	OCA Number	RMS Juris	
									VPD	CR20192120	CA0197300	
20191227177												
	RPT	12/28/2019	13:55:55	J AND J SNACK FOODS								
		PLATE		5353 DOWNEY RD, VERNON								
			VPD	CERDA,EUGENIO	*43W							
								14:03:24				14:31:59
									Department	OCA Number	RMS Juris	
									VPD	CR20192121	CA0197300	
20191227179												
	VREC	12/28/2019	16:52:31	HPPD								
	1015	REC		7513 STATE, HUNTINGTON PARK								
	RPT											
				VPD	VASQUEZ,LUIS	*40E	16:56:24	16:56:50	17:03:34		18:02:35	
				VPD	VALENZUELA,FEI	41		16:57:13	17:03:32		17:54:53	
				VPD	ONOPA,DANIEL	S7		16:56:46	17:03:35		17:31:07	
20191227181												
	CITY	12/28/2019	17:36:31	ABDUL								
	RPT	20001R		S ATLANTIC BL // DISTRICT BL, VERNON								
	VI											
	VS											
				VPD	CERDA,EUGENIO	*43W	17:38:02	17:38:03	17:41:42			19:28:40
				VPD	VASQUEZ,LUIS	40E		18:02:36	18:08:09		18:46:23	
				VPD	VALENZUELA,FEI	41		17:54:53	18:01:07		18:38:16	
					MR C TOW	MR C TO	17:47:32	17:47:33	17:56:36		18:46:21	
				VPD	ONOPA,DANIEL	S7			17:41:25		18:46:25	

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/28/2019

Jurisdiction: VERNON

Last Date: 12/28/2019

Call Number	Disp	Ten	Received	Caller								
		Code	Complaint	Address	Unit Time							
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227199												
	1015		12/28/2019	21:36:17								
	RPT		DET		10984 DUNCAN AVE, LYNWOOD							
			VPD	GAYTAN,LORENZ	*5D31			21:36:18				00:07:25
			VPD	ZOZAYA,OSCAR	44W		22:56:34	22:58:50			23:04:29	
			VPD	HERNANDEZ,EDV	5D32			21:36:25				00:07:25
			VPD	RAMOS,JOSE	5D35			21:36:29				00:07:26
20191227200												
	1015		12/28/2019	21:38:30								
	RPT		TRAFFIC STOP		S SOTO // VERNON AV, VERNON							
			VPD	CAM,PATRICK	*20W			21:38:30				23:26:43
			VPD	GODOY,RAYMON	38E	21:38:37	21:38:38	21:49:08			22:22:17	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/29/2019

Jurisdiction: VERNON

Last Date: 12/29/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227220												
1015			12/29/2019	01:24:41								
RPT			TRAFFIC STOP		3821 S SANTA FE AV, VERNON							
VS												
				VPD	CAM.PATRICK	*20W		01:24:41			02:25:01	
				VPD	OURIQUE,CARLO	43E	01:29:39	01:33:34			02:02:45	
					USTOW	US TOW	01:42:46	01:42:47	01:51:38		02:02:43	
20191227222												
RPT			12/29/2019	01:56:29	FRANCISCO GAMEZ STUDIO							
VI			20002R		4440 E DISTRICT BL, VERNON							
				VPD	GODOY,RAYMON	*38E	01:58:03	01:58:19	02:04:21			03:04:11
				VPD	OURIQUE,CARLO	43E			02:24:57			03:04:12
				VPD	ZOZAYA,OSCAR	44W	02:12:35	02:12:35			02:12:37	
					MR C TOW	MR C TO	02:16:50	02:16:50	02:25:04			03:04:12
20191227238												
1098			12/29/2019	09:40:07								
RPT			594		4925 52ND PL, VERNON							
				VPD	REDONA,BRYAN	*40E	10:54:44	09:40:46				11:35:07
				VPD	FINO,MARCUS	31W	09:41:00	09:47:33			11:18:48	09:59:28
				VPD	MANNINO,NICHOL	32E	09:40:53	09:47:34			11:21:12	
20191227249												
VREC			12/29/2019	12:12:18								
RPT			REC		2051 E 55TH, VERNON							
				VPD	VILLEGAS,RICHAR	*44W		12:12:18			13:05:43	
					USTOW	US TOW	12:16:42	12:39:42				14:17:32
20191227254												
SUP			12/29/2019	14:29:31	MARCO BARRERA							
			911A		4305 S SANTA FE AV, VERNON							
				VPD	FINO,MARCUS	*31W		14:29:35				16:09:19

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/29/2019

Jurisdiction: VERNON

Last Date: 12/29/2019

Call Number	Disp	Ten	Received	Caller		Unit Time									
		Code	Complaint	Address		Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227258															
	RPT		12/29/2019	16:01:41	T-MOBILE (877) 653-7911										
	OR		901T		E 44TH // BOYLE AV, VERNON										
				VPD	ONOPA,DANIEL	*S7					16:02:16				17:05:26
				VPD	FINO,MARCUS	31W		16:09:23		16:12:00				17:01:15	
				VPD	REDONA,BRYAN	40E		16:03:13		16:05:22					17:05:25
				VPD	VILLEGAS,RICHA	44W		16:03:14		16:05:24					17:05:25
					MR C TOW	MR C TO	16:08:16	16:08:26		16:16:39					17:05:25

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/30/2019

Jurisdiction: VERNON

Last Date: 12/30/2019

Call Number	Disp	Ten	Received	Caller										
		Code	Complaint	Address										
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp		
20191227287														
1015		12/30/2019	01:34:58	PLATES AND BEYOND										
RPT		594		3051 E 46TH, VERNON										
			VPD	ENCINAS,ANTHOI	*44	01:35:52	01:37:06	01:39:07			02:22:11			
			VPD	CAM,PATRICK	20W	01:35:53	01:35:53	01:39:56			02:22:09			
			VPD	GODOY,RAYMON	38E		01:41:43	01:41:48					03:01:32	
			VPD	ESTRADA,IGNACI	S3			01:44:33			02:09:39			
20191227292														
1015		12/30/2019	03:50:38	SOEX										
RPT		602		3280 E 26TH, VERNON										
			VPD	ENCINAS,ANTHOI	*44	03:53:32	03:53:33	03:58:02					05:06:06	
			VPD	CAM,PATRICK	20W		03:54:41	03:59:18			04:21:42			
20191227321														
RPT		12/30/2019	08:31:45	GRACE APPAREL USA										
		594R		4420 E DISTRICT BL, VERNON										
			VPD	CERDA,EUGENIO	*43E	08:34:27	08:34:45				08:35:02			
			VPD	MADRIGAL,ALFOI	31E		08:35:16	08:37:21					09:12:52	
			VPD	VASQUEZ,LUIS	41E		08:35:10	08:36:31			09:08:34			
20191227337														
RPT		12/30/2019	09:49:46	TREMCO										
		594R		3051 E 46TH, VERNON										
			VPD	MADRIGAL,ALFOI	*31E	09:51:42	09:52:11	09:58:40					10:53:06	
20191227340														
RPT		12/30/2019	09:57:29	JESUS HERRERA										
		PLATE		FRUITLAND AV // GIFFORD AV, VERNON										
			VPD	FINO,MARCUS	*32W	09:59:33	09:59:37	10:02:51					10:47:31	
20191227346														
RPT		12/30/2019	10:59:36	PREMIUM CITRUS										
		459R		4700 E 48TH, VERNON										

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/30/2019

Jurisdiction: VERNON

Last Date: 12/30/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227346												
	RPT		12/30/2019	10:59:36	PREMIUM CITRUS							
			459R		4700 E 48TH, VERNON							
				VPD	CERDA,EUGENIO	*43E	11:04:29	11:04:54	11:06:54		12:18:46	
				VPD	MADRIGAL,ALFOI	31E		11:30:02			11:31:31	
				VPD	VASQUEZ,LUIS	41E			11:33:29		12:30:58	
20191227355												
	RPT		12/30/2019	12:35:40								
	VREC		REC		E 52D // SANTA FE AV, VERNON							
				VPD	MACIEL,CYNTHIA	*2P8			12:35:41			13:50:40
				VPD	FINO,MARCUS	32W	12:36:37		12:37:16		12:48:34	
				VPD	MANNINO,NICHOI	38W		12:36:43	12:36:42		12:46:07	
				VPD	CERDA,EUGENIO	43E			12:37:13		13:28:16	
					USTOW	US TOW	12:41:09	12:42:41	12:58:50			13:50:41
20191227358												
	RPT		12/30/2019	13:09:51	BELEN ALONSO							
			GTAR		2120 E 25TH, VERNON							
				VPD	MANNINO,NICHOI	*38W	13:16:59	13:17:52			13:18:18	
				VPD	VASQUEZ,LUIS	41E		13:18:41	13:18:58		14:41:28	
20191227377												
	RPT		12/30/2019	14:58:08	T-MOBILE (877) 653-7911							
			902T		S SANTA FE AV // 49TH, VERNON							
				VPD	MANNINO,NICHOI	*38W		14:59:16	15:00:29			15:40:04
				VPD	FINO,MARCUS	32W		15:00:14	15:01:37		15:06:17	
				VPD	CERDA,EUGENIO	43E			15:18:27			15:40:05
20191227379												
	RPT		12/30/2019	15:05:51								
			902T		S SANTA FE AV // 49TH, VERNON							
				VPD	FINO,MARCUS	*32W			15:06:18			15:44:08

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/30/2019

Jurisdiction: VERNON

Last Date: 12/30/2019

Call Number	Disp	Ten	Received	Caller	Unit Time									
		Code	Complaint	Address	Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227379														
	RPT		12/30/2019	15:05:51										
		902T			S SANTA FE AV // 49TH, VERNON									
				VPD	MADRIGAL,ALFOI	31E		15:07:05		15:12:13				15:44:07
									Department VPD	OCA Number CR20192138		RMS Juris CA0197300		
20191227387														
	VREC		12/30/2019	16:58:41										
		REC			4295 CHARTER AV, VERNON									
				VPD	MADRIGAL,ALFOI	*31E				16:58:41			17:46:39	
				VPD	VASQUEZ,LUIS	41E		17:02:51		17:05:08			17:46:42	
				VPD	VILLEGAS,RICHA	44				17:05:22			17:34:26	
					MR C TOW	MR C TO	17:09:25		17:10:26		17:22:00		19:16:37	
20191227396														
	CITE		12/30/2019	18:39:48										
	RPT		PEDCK		E VERNON AV // SAINT CHARLES, VERNON									
	1015													
				VPD	FINO,MARCUS	*32W				18:39:48				20:32:45
				VPD	VILLEGAS,RICHA	44		18:40:12		18:41:01			19:06:10	
20191227411														
	RPT		12/30/2019	21:30:32										
		20002R			HOVHANNISYAN VARDAN E 27TH // SANTA FE AV, VERNON									
				VPD	CROSS,JEREMY	*5D30				21:31:07				21:36:07
20191227416														
	1015		12/30/2019	22:10:56										
	RPT		TRAFFIC STOP		5501 DOWNEY RD, VERNON									
				VPD	NEWTON,TODD	*44E				22:10:56			22:41:13	
				VPD	CAM,PATRICK	20		22:11:57		22:15:28				22:52:15
				VPD	GODOY,RAYMON	38W				22:17:06			22:41:02	

* Denotes Primary Unit

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/31/2019

Jurisdiction: VERNON

Last Date: 12/31/2019

Call Number	Disp	Ten	Received	Caller	Unit Time							
		Code	Complaint	Address								
			Dep	Officer	Unit	Dispatch	Enroute	OnScene	Depart	Arrive	Remove	Comp
20191227432												
1015			12/31/2019	01:57:17								
RPT			TRAFFIC STOP		E 48TH // ALAMEDA, VERNON							
VI												
			VPD	CAM,PATRICK	*20			01:57:17			02:49:24	04:43:58
			VPD	GODOY,RAYMON	38W		01:57:29	02:03:25			02:49:27	
			VPD	NEWTON,TODD	44E			02:04:26			02:49:29	
				USTOW	US TOW	02:33:02	02:33:30	02:48:37				04:43:59
20191227440												
REPO			12/31/2019	06:26:37	CR LAURENCE							
			REPO		2100 E 38TH, VERNON							
			VPD	RECORDS BUREAU	*RECD			06:30:46				06:44:06
20191227479												
RPT			12/31/2019	10:28:07	VERIZON WIRELESS 1-800-451-5242							
			902T		4408 BANDINI BL, VERNON							
			VPD	VASQUEZ,LUIS/FI	*43E	10:30:30	10:30:54	10:36:38				11:02:52
			VPD	VILLEGAS,RICHARD	44E		10:35:13	10:44:44				11:02:52
20191227514												
RPT			12/31/2019	14:22:57	T-MOBILE (877) 653-7911							
OR			902TR		E VERNON AV // SOTO ST, VERNON							
OR												
			VPD	ZOZAYA,OSCAR	*41W	14:23:39	14:23:55	14:26:03				16:57:25
			VPD	MADRIGAL,ALFONSO	31W		14:30:08				14:34:33	
			VPD	MANNINO,NICHOLAS	38W			14:26:43				16:57:25
			VPD	REDONA,BRYAN	40E		14:33:32	14:38:03			15:46:01	
			VPD	VASQUEZ,LUIS/FI	43E		14:26:08	14:38:06			15:09:31	
				MR C TOW	MR C TO	14:31:02	14:31:04	14:40:20				16:57:26
20191227521												
1098			12/31/2019	16:27:03								
SUP			140		4700 E 48TH, VERNON							

VERNON POLICE DEPARTMENT

Call Log Report Type All Unit Times and Location with OCA's

First Date: 12/31/2019

Jurisdiction: VERNON

Last Date: 12/31/2019

Call Number	Disp	Ten	Received	Caller	Code	Complaint	Address	Unit Time				
								Dep	Officer	Unit	Dispatch	Enroute
20191227521												
	1098		12/31/2019	16:27:03								
	SUP		140				4700 E 48TH, VERNON					
				VPD		REDONA,BRYAN		*40E			16:27:03	16:35:12
20191227527												
	RPT		12/31/2019	17:08:25			T-MOBILE (877) 653-7911					
			5150				3560 E VERNON AV, VERNON					
				VPD		ZOZAYA,OSCAR		*41W	17:09:30	17:10:02	17:16:18	17:42:41
				VPD		MADRIGAL,ALFOI		31W	17:09:32	17:10:04	17:14:53	18:31:51
				VPD		MANNINO,NICHOI		38W			17:20:08	17:41:16
				VPD		REDONA,BRYAN		40E		17:15:31	17:16:16	18:31:52
				VPD		CHAVEZ,JERRY,J		S1			17:15:05	17:41:18
20191227531												
	RPT		12/31/2019	17:47:05			ROMAS R US					
			594R				3188 E SLAUSON AV, VERNON					
				VPD		ZOZAYA,OSCAR		*41W	17:49:49	18:07:32		18:11:17
				VPD		MANNINO,NICHOI		38W	18:05:31	18:07:35		18:25:36
20191227532												
	1015		12/31/2019	18:07:22								
	RPT						RECKLESS DRV					
							3100 E SLAUSON AV, VERNON					
				VPD		CAM,PATRICK		*20			18:07:23	19:25:14
				VPD		MANNINO,NICHOI		38W	18:25:37	18:26:41		18:44:40
				VPD		ZOZAYA,OSCAR		41W	18:11:17	18:17:58		18:45:08
20191227533												
	RPT		12/31/2019	18:32:13			LAPD NEWTON					
	VREC						LOCATE					
							1558 E 25TH ST, LOS ANGELES					

* Denotes Primary Unit

City Council Agenda Item Report

Agenda Item No. COV-43-2020
Submitted by: Mark Aumentado
Submitting Department: Public Utilities
Meeting Date: February 18, 2020

SUBJECT

Construction Contract with Best Drilling and Pump, Inc. for the Well No. 17 Rehabilitation Project

Recommendation:

- A. Find that the proposed action is categorically exempt from California Environmental Quality Act (CEQA) review, in accordance with CEQA Guidelines §15301, because the project consists of the maintenance, repair or minor alteration of existing facilities and involves negligible or no expansion of an existing use;
- B. Accept the bid from Best Drilling and Pump, Inc. as the lowest responsive and responsible bidder and reject all other bids;
- C. Approve and authorize the City Administrator to execute a Construction Contract with Best Drilling and Pump, Inc., in substantially the same form as submitted, in an amount not to exceed \$552,929.00 for the Well No. 17 Rehabilitation Project; and
- D. Authorize a contingency amount of \$47,000.00 in the event of unforeseen changes in the project and grant authority to the City Administrator to issue Change Orders for an amount up to the contingency amount, if necessary. At approximately 8.5% of the total contract value, the contingency amount requested is typical for this type and size of project.

Background:

On January 17, 2019, Well No. 17 ("Well") experienced a mechanical failure and was placed out of service. It was determined that the replacement of the Well's mechanical equipment was necessary. In April 2019, an independent technical assessment of the downhole conditions indicated that the well would benefit from a mechanical cleaning, mechanical redevelopment, and chemical treatment. Additionally, the State Water Resources Control Board (SWRCB) recommended in their 2016 Water System Inspection that the Well's pedestal be raised to the 18-inch-minimum current standard.

On December 17, 2019, staff formally solicited the Well No. 17 Rehabilitation Project Notice Inviting Bids (NIB). The NIB was advertised on the City's Planetbids website and a local newspaper. Additionally, the NIB was sent to five contractors likely to qualify for water well rehabilitation projects. A mandatory pre-bid meeting was conducted on January 6, 2020, in which five firms were in attendance.

On the bid deadline, January 16, 2020, four bids were received for the Well No. 17 Rehabilitation Project. The calculated bid results for the NIB are as follows:

1.	Best Drilling and Pump, Inc.	\$ 552,929.00
2.	Zim Industries, Inc.	\$ 612,550.00
3.	L.O. Lynch Quality Wells & Pumps, Inc.	Non-Responsive
4.	General Pump Company, Inc.	Bid withdrawn

An irregularity was discovered in the bid received by General Pump Company, Inc. ("GPC") and, as a result, GPC elected to withdraw their bid. After performing reference checks, staff determined that

agencies were generally pleased with the work performed by L.O. Lynch Quality Wells & Pumps, Inc. ("Lynch") and Best Drilling and Pump, Inc. ("Best"). At that time, a reference check for Zim Industries, Inc. ("Zim") was not conducted since Zim's bid was ranked last. Staff eventually determined that Lynch does not have the required experience installing water flush pumping equipment as required by the NIB; thus, their bid was deemed non-responsive. Water flush lubrication systems are an alternative to the traditional oil lubrication systems used in pumping equipment; and using water as a lubricant significantly reduces the potential for oil to leak into the product water and serves the additional benefit of contributing to environmental stewardship. For this reason, it is important that the selected contractor successfully meet this requirement.

Upon further evaluation, staff determined the bid from Best to be the lowest responsive and responsible bid. Based on staff's bid evaluation, successful completion of previous City projects, and additional reference checks, City staff recommends award of the proposed construction contract to Best.

The proposed construction contract has been reviewed and approved as to form by the City Attorney's Office.

Fiscal Impact:

VPU has allocated \$600,000.00 in Fiscal Year (FY) 2019-2020 approved budget for this project. The bid amount of \$552,929.00 plus the contingency amount of \$47,000 totals \$599,929.00, which is within the approved allocated budget to cover the cost of the project.

Attachments:

1. [Contract with Best Drilling and Pump, Inc. for the Well No. 17 Rehab Project](#)

CONSTRUCTION CONTRACT BETWEEN
CITY AND CONTRACTOR

This Agreement is made and entered into at Vernon, California this ____ day of _____, 20 ____, by and between the CITY OF VERNON, a chartered municipal corporation (hereinafter "City") and BEST DRILLING AND PUMP, INC., a California corporation (hereinafter "Contractor"), for construction of Well No. 17 Rehabilitation Project. THE PARTIES HERETO AGREE AS FOLLOWS:

1. CONTRACT DOCUMENTS

The "Contract Documents" except for modifications issued after execution of this Agreement, shall consist of the following documents which are either attached hereto as exhibits or are incorporated into this Agreement by this reference, with the same force and effect as if set forth at length herein:

- A. Governmental Approvals including, but not limited to, permits required for the Work
- B. This Agreement
- C. Exhibit A – General Conditions
- D. Exhibit 1 – Performance Bond
- E. Exhibit 2 – Payment Bond
- F. Exhibit 3 - Maintenance Bond
- G. Exhibit 4 – Insurance Requirements
- H. Exhibit 5 – Statement of Intent to Comply with Minimum Requirements of the Stormwater Permit
- I. Exhibit B – Special Provisions Specific for this Project
- J. Exhibit C – Living Wage Provisions
- K. Exhibit D – Equal Employment Opportunity Practices Provisions
- L. Notice Inviting Bids;
- M. Instructions to Bidders;
- N. Bid Forms;
- O. Designation of Subcontractors; and

2. REFERENCE DOCUMENTS – Not Applicable

3. SCOPE OF WORK

Within the Contract Time and for the stated Contract Sum, subject to adjustments thereto, and pursuant to the Contract Documents, the Contractor shall perform and provide all necessary: labor; services; supervision; materials; tools; equipment; apparatus; facilities; supplies; tools; permits, inspections, plan checks, and similar Governmental Approvals; temporary utilities; utility connections; and transportation necessary to complete the Work in strict conformity with the Contract Documents for:

Well No. 17 Rehabilitation Project,
Contract No. LP-0516

4. TIME FOR PERFORMANCE

Contract Time. Contractor shall achieve Substantial Completion of the Work within one hundred eighty (180) calendar days from the Date of Commencement established in City's written Notice to Proceed ("Contract Time"), subject to adjustment in accordance with the Contract Documents. Contractor shall achieve Final Completion of the Work, within the time established by the Certificate of Substantial Completion issued by the City. The Contract Time may only be adjusted as permitted by this Construction Contract and the General Conditions.

Time is of the essence of this Agreement. Except when the Contract Documents state otherwise, time is of the essence in the performance of the Work. Contractor acknowledges that the time limits and deadlines set forth in the Contract Documents are reasonable for Contractor to perform and complete the Work.

Liquidated Damages. If Contractor fails to achieve Substantial Completion of the entire Work within the Contract Time for Substantial Completion, Contractor shall pay City as liquidated damages the amount of one-thousand dollars (\$1,000) per day for each calendar day occurring after the expiration of the Contract Time for Substantial Completion until Contractor achieves Substantial Completion of the entire Work, as required by Article 3 of the General Conditions of Contract.

Contractor Initial here: _____.

5. CONTRACT SUM

In consideration of the Contractor's full, complete, timely, and faithful performance of the Work required by the Contract Documents, City shall pay Contractor the sum of five hundred fifty-two thousand nine hundred twenty-nine dollars/no cents (\$ 552,929.00), payable as set forth in the General Conditions ("Contract Sum").

6. PERMIT FEE REIMBURSEMENT

In accordance with Paragraph 1.03 of the General Conditions, the City shall reimburse Contractor for the documented actual direct cost of Permit Fees, without Allowable Mark-up.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed the date and year first above written.

Executed at _____, California.

[Contractor's Corporate Seal]

BEST DRILLING AND PUMP, INC.:

By: _____
An Authorized Signatory

Printed Name: _____

Title: _____

Date: _____

BEST DRILLING AND PUMP, INC.:

By: _____
An Authorized Signatory

Printed Name: _____

Title: _____

Date: _____

CITY OF VERNON:

By: _____
Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

CONTRACTOR'S SIGNATURE MUST BE NOTARIZED

EXHIBIT A GENERAL CONDITIONS

ARTICLE 1 - PRELIMINARY PROVISIONS

1.01 DEFINITIONS

The following words shall have the following meanings:

- A. Allowance. A line item cost estimate established by the City to be carried in the Base Bid sum, Contract Sum, and Schedule of Values for Payment for a particular item of Work, which cannot be sufficiently defined so as to allow the Contractor to adequately determine fair value before the Bid Deadline. Allowances include estimated amounts established by the City for certain construction elements that have not yet been fully designed or authorized for inclusion in the Work or to permit deferred approval or selection of actual materials and equipment to a later date when additional information is available for evaluation.
- B. As-Builts. The documents prepared by Contractor showing the condition of the Work as actually built, including, without limitation, all changes and the exact locations of all mechanical, electrical, plumbing, HVAC or other portions of the Work that are shown diagrammatically in the Contract Documents.
- C. Base Bid. The total sum stated in the Bid Form for which the Bidder offers to perform Work described in the Contract Documents as the base Contract Work (e.g. not designated as part of a Bid Alternate).
- D. Bid. A complete and properly executed offer by the Bidder on City-prescribed forms to perform the Work for the prices stated in response to the Notice Inviting Bids.
- E. Bid Alternate. An item of Work described in the Contract Documents as an Alternate Bid that will be added to or deducted from the Base Bid and the Contractor's responsibility only if the City accepts the Bid Alternate.
- F. Bid Forms: The City-prescribed forms which the Bidder shall complete and use to submit a Bid. The Bid Forms include: (1) Bidder's Proposal; (2) Schedule of Bid Prices; (3) Incumbency Certificate; (4) Bid Bond; (5) Bidder's Statement of Qualifications; (6) Experience Form; (7) Trades Experience Form; (8) Contractor Safety Questionnaire; (9) Designation of Subcontractors; (10) Affidavit of Non-Collusion; (11) Insurance Requirements Affidavit; and (12) forms included in the Specification required by the type of project funding (e.g. federal, ARRA, HUD, etc.).
- G. Bidder. The individual, partnership, firm, corporation, joint venture or other legal entity submitting a bid on these Contract Documents or any part thereof.
- H. Bidding Documents. Bidding Documents include the Bidding Requirements and the proposed Contract Documents. The Bidding Requirements consist of: (1) Notice Inviting Bids; (2) Instructions to Bidders; and (3) Bid Forms. The proposed Contract Documents consist of: (1) the Bidding Requirements; (2) the Construction Contract Between City and Contractor; (3) the Conditions of the Contract (General, Supplementary, and Special, if applicable); (4) all Exhibits to the Contract; (5) the Drawings; (6) the Specifications; (7) all Addenda issued prior to the execution of the Construction Contract; (8) all Modifications issued after the execution of the Construction Contract; and (9) Governmental Approvals, if any, including but not limited to, permits.

- I. Change Order. A Change Order is a written document prepared by the City reflecting the agreement between the City and Contractor for: a change in the terms or conditions of the Contract, if any; a specific Scope Change in the Work; the amount of the adjustment, if any, in the Contract Sum; and the extent of the adjustment, if any, in the Contract Time.
- J. Change Order Request (COR). A Change Order Request is a written document originated by the Contractor, which describes an instruction issued by the City after the effective date of the Contract, which Contractor believes to be a scope change that may result in changes to the Contract Sum or Contract Time or, which describes the need for or desirability of a change in the Work proposed by Contractor.
- K. City or Owner. The City of Vernon, California, acting through its City Council or other City officials authorized to act for the City, acting in its proprietary rather than regulatory capacity in connection with the Project.
- L. Construction Change Directive. A written order prepared and signed by the City directing a change in Work prior to agreement on adjustment, if any, in the Contract Sum or Contract Time, or both.
- M. Contract Documents. The Contract Documents are enumerated in the Construction Contract between City and Contractor and consist of: (1) the Bidding Requirements; (2) the Construction Contract; (3) the Conditions of the Contract (General, Supplementary, and Special, if applicable); (4) all Exhibits to the Contract; (5) the Drawings; (6) the Specifications; (7) all Addenda issued prior to the execution of the Contract; (8) all Modifications issued after the execution of the Contract; and (9) Governmental Approvals, including, but not limited to, permits. The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Contractor. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the Contractor shall be required to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the indicated results.
- N. Contract. The Contract Documents form the Contract for Construction. The Contract Represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations, or agreements, either written or oral. The Contract may be amended or modified on by a Modification. The Contract Documents shall not be construed to create a contractual relationship of any kind between any persons or entities other than the Owner and the Contractor. There shall be no third party beneficiaries of the Contract Documents.
- O. Contract Sum. The total amount of compensation stated in the Construction Contract that is payable to Contractor for the complete performance of the Work in accordance with the Contract Documents.
- P. Contract Time. The total number of days set forth in the Construction Contract within which Substantial Completion of the Work must be achieved beginning with the Date of Commencement established in the Notice to Proceed, subject to adjustments in accordance with the terms of the Contract Documents. The Contract Time for Contractor's performance of the Work is measured in calendar days (not work days).
- Q. Contractor. The individual, partnership, firm, corporation, joint venture or other legal entity with whom the Contract is made by City, or the agent or legal representative who may be appointed to represent such individual, partnership, firm, corporation, joint venture or other legal entity in the execution of the Contract as general contractor for construction of the Work.

- R. Correction Period. Correction Period is synonymous with the terms of the correction guarantee period used in the Contract Documents.
- S. Date of Commencement. The date for commencement of the Work fixed by City in a Notice to Proceed to Contractor.
- T. Day. The terms "day" or "days" mean calendar days unless otherwise specifically designated in the Contract Documents. The term "Work Day" or "Working Day" shall mean any calendar day except Saturdays, Sundays and City-recognized legal holidays. City Holidays are as follows:
1. January 1st - New Year's Day
 2. The 3rd Monday in January – Martin Luther King, Jr. Day
 3. The 3rd Monday in February – Presidents Day
 4. March 31st – Cesar Chavez Day
 5. The last Monday in May – Memorial Day
 6. July 4th – Independence Day
 7. The first Monday in September – Labor Day
 8. The second Monday in October – Columbus Day
 9. November 11th – Veterans Day
 10. The 4th Thursday in November – Thanksgiving Day
 11. December 24th – Christmas Eve
 12. December 25th – Christmas Day
 13. December 31st – New Year's Eve
- U. Director. The Interim General Manager of Public Utilities of the City of Vernon or his/her duly appointed representative.
- V. Drawings. The Drawings are the graphic and pictorial portions of the Contract Documents showing the design, location, and dimensions of the Work, generally including plans, elevations, sections, details, schedules, and diagrams.
- W. Extra Work. New or unforeseen work will be classified as Extra Work when determined by the City that the work is not described in, or reasonably inferable from, the Contract Documents, the work is not covered by any Bid line item or Allowance, and the work causes Contractor to incur additional and unforeseen costs.
- X. Field Directive. See, "Work Directive."
- Y. Final Completion. Final Completion is the stage of performance of the Work when (1) all Work required by the Contract Documents has been fully completed in compliance with the Contract Documents and all applicable laws including, but not limited to, correction or completion of all punch list items noted by City upon Substantial Completion; (2) Contractor has delivered to City an Application for Final Payment and all closeout documentation required by the Contract Documents; and (3) documentation of all final Governmental Approvals has been submitted to City including, but not limited to a final Certificate of Occupancy or equivalent Building Department sign-off has been issued covering the entire Project site without exception or conditions.
- Z. Force Majeure. "Force Majeure" includes but is not limited to declared or undeclared war, sabotage, insurrection, riot, or other acts of civil disobedience, labor disputes, fires, explosions, floods, earthquakes or other acts of God.
- AA. Fragnet. The sequence of new activities that are proposed to be added to an existing schedule.

- BB. Governmental Approval. Any approval, authorization, inspection, certification, consent, exemption, filing, permit, registration, plan check, ruling or similar authorization required by any federal, state or local law, regulation or procedures in order for Contractor to perform the Work.
- CC. Guarantee. Assurance to City by Contractor or product manufacturer or other specified party, as guarantor, that the specified warranty will be fulfilled by the guarantor in the event of default by the warrantor.
- DD. Modification. A Modification is: (1) a written amendment to Contract signed by both parties; (2) a Change Order; or (3) a Construction Change Directive.
- EE. Notice to Proceed. The Notice to Proceed is a document issued by the City fixing the date for Commencement for the Work.
- FF. Parties. The City and Contractor may be referred to in the Contract Documents from time to time as the Parties.
- GG. Permit Fees. The actual direct costs paid by Contractor for Governmental Approvals and Utility Fees.
- HH. Project. The Project is the total construction of which the Work performed under the Contract Documents may be the whole or a part and which may include construction by the City or by separate contractors.
- II. Project Manual/Contract Package. The volumes of Contract Documents and reference documents assembled for the Work made available to Bidders.
- JJ. Record Documents. The Drawings, Specifications, addenda, requests for information, bulletins, Change Orders and other modifications to the Contract Documents, approved shop drawings, product data, samples, mock-ups, permits, inspection reports, test results, daily logs, schedules, subcontracts, and purchase orders. Records Documents shall include a set of "As-Built" Drawings and Specifications, which shall be continuously updated during the prosecution of the Work.
- KK. Site. The physical area designated in the Contract Documents for Contractor's performance of the Work.
- LL. Specifications. The Specifications are the volume(s) assembled for the Work that includes, without limitation, the Bidding Documents, the Construction Contract and Exhibits, the General Conditions, Supplementary and/or Special Conditions, if any, the "GREENBOOK" STANDARD SPECIFICATIONS FOR PUBLIC WORKS CONSTRUCTION (2012 Edition), the Standard Plans for Public Works Construction (2009 Edition), State of California, Department of Transportation Standard Plans and Standard Specifications (2010 Edition), and the City of Vernon Standard Plans.
- MM. Specifications. The Specifications are that portion of the Contract Documents consisting of the written requirements for materials, equipment, systems, standards, and workmanship for the Work and performance of related services, including, but not limited to, the Project Technical Specifications, Standard Specifications, if any, and any applicable Trade Association Specifications.
- NN. Substantial Completion. Substantial Completion is defined to mean the stage in the progress of the Work when the Work is sufficiently complete in accordance with the Contract Documents as determined by the City so that the City can occupy and utilize the Work for its intended use and as further defined in the Contract Documents.
- OO. Unilateral Change Order. See "Work Directive."

- PP. Utility Fees. The fees charged by any public, private, cooperative, municipal and/or government line, facility or system used for the carriage, transmission and/or distribution of cable television, electric power, telephone, water, gas, oil, petroleum, steam, chemicals, sewage, storm water or similar commodity including, but not limited to fees for temporary utilities and refuse hauling.
- QQ. Warranty. Assurance to City by contractor, installer, supplier, manufacturer or other party responsible as warrantor, for the quantity, quality, performance and other representations of a product, system service of the Work.
- RR. Work. The term "Work" means the construction and other services required by, and reasonably inferable from the Contract Documents, whether completed or partially completed, and includes all other labor, materials, equipment, and services provided or to be provided by the Contractor to fulfill the Contractor's obligations. The Work may constitute the whole or a part of the Project.
- SS. Work Directive. A Work Directive is a unilateral written order issued by the City directing Contractor to continue performance of the Work or to perform a disputed change in the Work prior to agreement or adjustment, if any, in the Contract Sum, Contract Time, or both.

1.02 REPRESENTATIVES

- A. The Director shall be the representative of the City and, except as otherwise expressly provided herein, shall make all decisions and interpretations to be made by the City under the provisions of the Contract Documents.
- B. The Contractor shall at all times be represented on the Work in person or by a duly designated agent. Instructions and information given by the Director to the Contractor's agent on the Work shall be considered as having been given to the Contractor.

1.03 PERMITS, INSPECTIONS, PLAN CHECKS, AND SIMILAR GOVERNMENTAL APPROVALS AND UTILITIES

- A. Except as otherwise provided in the Notice Inviting Bids, the Contractor shall apply for, obtain, and pay for all permits including, but not limited to, building or structure permits, plumbing system permits, mechanical system permits, electrical system permits, structural system permits, demolition permits, excavation permits, street use permits, driveway permits, sidewalk, curb, sewer, gutter, crosswalk, paving or other street work grading permits, street/utility use permits, OSHA permits, fire sprinkler permits, fence permits, blasting permits, landscaping/irrigation permits, and permits to demolish, remove, or make major alterations to any designated historic resource; inspections; and plan checks obtained after the Date of Commencement of the Work. The Notice Inviting Bids contains a list of permits and other Governmental Approvals and Utility Fees obtained and paid for by the City prior to the Date of Commencement; Contractor is responsible for obtaining all Governmental Approvals and Utility Fees not listed in the Notice Inviting Bids.
- B. The City will reimburse Contractor monthly for the documented actual direct cost paid to governmental agencies or utilities for all Permit Fees according to the payment provisions of the Contract Documents after submission to the City of the Contractor's and/or Subcontractors' original receipts from the governmental entities or utilities ("Permit Fee Reimbursement"). Contractor shall deliver the original receipt to the City's Project Manager with each permit. All Permit Fees shall be separately itemized in each Application for Payment and copies of the receipt(s) and permit(s) must be attached. The Base Bid sum / Contract Sum shall include the cost of administration and coordination for all Governmental Approvals and Utility Fees.

- C. All documents evidencing Contractor's satisfaction with all Governmental Approvals and Utility Fees must be submitted to the City prior to submission of the Application for Final Payment.
- D. Where requirements of the Governmental Approvals differ from those of the Drawings and Specifications, the more stringent requirements shall apply.

1.04 LICENSES

The Contractor shall apply for, obtain, and pay for all licenses required by governing authorities for the Work. Contractor shall apply and pay for a City of Vernon business license.

1.05 ALLOWANCES

- A. Contractor shall include in the Contract Sum and Schedule of Values for Payment, the City's estimated cost established for each Work item covered by an Allowance stated in the Contract Documents. See Paragraph 1.01 for definition of Allowance.
- B. The line item cost estimate established by the City for Work covered by an Allowance includes the cost to Contractor of: all materials and equipment, preparation of submittals; labor; transportation; delivery; handling; installation; supervision; overhead; profit; licenses; bonds; insurance; all sales, use and other taxes legally chargeable; and all other costs and expenses incidental to such Work.
- C. Work items covered by Allowances shall be supplied with such materials and equipment and for such prices approved in advance by City. Contractor shall notify and request City's approval of material equipment, and pricing information for Work covered by an Allowance before ordering the material or equipment and in sufficient time to avoid delay to the Work. City shall provide approval of materials, equipment, and prices with reasonable promptness. The material, equipment, and pricing information submitted by the Contractor to the City's Project Manager shall, at a minimum, include product data and detailed costs of material, equipment, and labor to complete such Work, itemized by costs incurred by Contractor and each subcontractor associated with the performance of such Work. Contractor shall not order materials or equipment or proceed with Work covered by an Allowance until the material, equipment, and pricing information for such Work items have been submitted to the City's Project Representative for review and the Contractor has received City's approval to proceed with a Work item covered by an Allowance.
- D. All expenditures for Allowance Work shall be separately itemized in each Application for Payment.
- E. To the extent that the cost of Work items covered by an Allowance is less than the Allowance cost estimate established by the City, the Contract Sum shall be reduced by Change Order or Construction Change Directive to reflect the actual cost of the Allowance item. Similarly, to the extent the cost of Work items covered by an Allowance is greater than the Allowance cost estimate, the Contract Sum shall be increased by Change Order or Construction Change Directive to reflect the actual cost of the Allowance item. If Work items covered by an Allowance are not performed or the City deletes such items from the Scope of Work, the Contract Sum shall be reduced by Change Order or Construction Change Directive to deduct the Cost of the unused Allowance item.

1.06 WAIVER

A waiver by City of any breach of any term, covenant, or condition contained in the Contract Documents shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained therein, whether of the same or a different character.

1.07 DATA TO BE FURNISHED BY THE CONTRACTOR

The Contractor shall furnish the Director with such information as the Director may desire respecting the character of the materials and the progress and manner of the Work, including all information necessary to determine the Contractor's costs, such as the number of persons employed, their pay, the time during which they worked on the various classes of construction, and other pertinent data.

1.08 CONTRACT DRAWINGS

The City will accept no responsibility for errors resulting from misinterpretation or scaling of the Drawings.

1.09 SPECIFICATIONS AND DRAWINGS

- A. The Contractor shall keep on the Work Site a copy of all Specifications, Drawings, and Change Orders pertaining to the Work and shall at all times give the Director access thereto. Anything mentioned in the Specifications and not shown on the Drawings or shown on the Drawings and not mentioned in the Specifications shall be of like effect as though shown or mentioned in both.
- B. In general, the Drawings will show dimensions, positions, and kind of construction; and the Specifications will define materials, quality, and standards. Any Work not particularly detailed, marked or specified, shall be the same as similar parts that are detailed, marked or specified.
- C. The Drawings shall not be scaled to determine dimensions, and in all cases shall be calculated from figures shown on the Drawings. Any discrepancies between scale and figured dimensions, not marked "not to scale," must be brought to the Director's attention before proceeding with the Work affected by the discrepancy.
- D. Omissions from the Drawings and/or Specifications shall not relieve the Contractor from the responsibility of furnishing, making, or installing all items required by law or code, or usually furnished, made or installed in a project of the scope and general character indicated by the Drawings and Specifications.
- E. For convenience, the Drawings and Specifications may be arranged in various trade subparagraphs, but such segregation shall not be considered as limiting the Work of any subcontract or trade. The Contractor shall be solely responsible for all subcontract arrangements of the Work regardless of the location or provision in the Drawings and Specifications.
- F. The City will furnish free of charge to the Contractor, a maximum of six (6) sets of Contract Drawings and Specifications. The Contractor shall pay for the costs of any additional sets or portions thereof. The Contractor shall be responsible to see that all sets are the same as the up-to-date approved set.

1.10 PRECEDENCE OF CONTRACT DOCUMENTS

- A. In the event of conflict between any of the Contract Documents, the provisions placing a more stringent requirement on the Contractor shall prevail. The Contractor shall provide the better quality or greater quantity of Work and/or materials unless otherwise directed by City in writing. In the event none of the Contract Documents place a more stringent requirement or greater burden on the Contractor, the controlling provision shall be that which is found in the document with higher precedence in accordance with the following order of precedence:
 - 1. Governmental Approvals including, but not limited to, permits required for the Work

2. Modifications issued after execution of the Contract (including modifications to Drawings and Specifications)
 3. The Contract, including all exhibits, attachments, appendices and Addenda, with later Addenda having precedence over earlier Addenda
 4. Special Conditions, if any
 5. General Conditions
 6. Specifications
 7. Drawings
 8. Bidding Requirements
- B. With reference to the Drawings, the order of precedence is as follows:
1. Change Order Drawings
 2. Addenda Drawings
 3. Contract Drawings
 4. Project Drawings
 5. Standard Drawings
 6. Detail Drawings
 7. General Drawings
 8. Figures
 9. Scaled dimensions
- C. Within the Specifications, the order of precedence is as follows:
1. Change Orders
 2. Special Conditions
 3. Project Technical Specifications
 4. Standard Specifications, if any
 5. Applicable Trade Association Specifications

1.11 NOTICE OF CONFLICTS

If the Contractor, in the course of the Work, becomes aware of any claimed conflicts, errors or omissions in the Contract Documents or in the City's fieldwork or work of City's separate contractors, the Contractor shall immediately notify the Director in writing. The Director shall promptly review the matter, and if the Director

finds a conflict, error or omission, the Director shall determine the corrective actions and advise the Contractor accordingly. If the correction associated with a conflict, error or omission increases or decreases the amount of Work called for in the Contract, the City shall issue an appropriate Change Order in accordance with the Contract Documents. After discovery of an error or omission by the Contractor, any related additional work performed by the Contractor shall be done at the Contractor's risk unless authorized by the Director.

1.12 REPORTS

A. Daily Construction Reports: The Contractor shall prepare a daily construction report recording the following information concerning events at Project site:

1. List of Subcontractors at Project site.
2. List of other contractors at Project site.
3. Approximate count of personnel at Project site.
4. Equipment at Project site.
5. Material deliveries.
6. High and low temperatures and general weather conditions, including presence of rain or snow.
7. Accidents.
8. Meetings and significant decisions.
9. Unusual events.
10. Stoppages, delays, shortages, and losses.
11. Meter readings and similar recordings.
12. Emergency procedures.
13. Orders and requests of authorities having jurisdiction.
14. Change Orders received and implemented.
15. Construction Change Directives received and implemented.
16. Services connected and disconnected.
17. Equipment or system tests and startups.
18. Partial completions and occupancies.
19. Substantial Completions authorized.
20. List of visitors to Project Site.
21. List of personnel at Project Site including names and job classifications.
22. Description of Work for the day including locations, quantities and related bid items.

Immediately upon discovery of a difference between field conditions and the Contract Documents, the Contractor shall prepare and submit a detailed report through a Request for Information (RFI). Include a detailed description of the differing conditions, together with recommendations for a remedy.

The Daily Construction Report must be: signed by Contractor's Superintendent, submitted within 24 hours (next Working Day) to the Director, and shall be made available to others as directed by City.

1.13 LINES, GRADES, AND MEASUREMENTS

- A. All lines and grades will be established by the Contractor. The Contractors shall carefully preserve all survey stakes and reference points as far as possible. Should any stakes or points be removed or destroyed unnecessarily by any act of the Contractor or his/her employees, they must be reset to the satisfaction of the Director, at the Contractor's expense.
- B. The Contractor shall inform the Director 48 hours (two Work Days) in advance of the times and places at which he/she intends to Work in order that inspection may be provided, and that necessary measurements for records and payments may be made with minimum inconvenience.

- C. No direct payment will be made for the cost to the Contractor of any of the Work or delay occasioned by giving lines and grades, by making other necessary measurements, or by inspection.

1.14 RIGHT OF WAY

- A. The site for the installation of equipment or the right of way for the Work to be constructed under this Contract will be provided by the City.
- B. The City will provide the appropriate rights of way and property for pipelines and structures. Upon approval by the Director, the Contractor may, without cost, use portions of any of the City's rights of way or property which may be suitable for working space and for storage of equipment and materials. The Contractor will be held responsible for any damage to structures, streets, and roads, trees and landscaping, and for any damage that may result from his/her use of City property.
- C. In case areas additional to those available on the City's rights of way or property are required by the Contractor for his/her operations, he/she shall make arrangements with the property owners for the use of such additional areas at his/her own expense.

1.15 CONTRACTOR'S OPERATIONS/STORAGE YARD

In the event the Contractor requires space for the storage and/or staging of construction materials, supplies, equipment, stockpiling of debris, or any other needs required for construction operations, he/she shall acquire at his/her own expense such areas as he/she may desire. For properties within the City of Vernon, the staging area must be enclosed at Contractor's expense with construction fencing covered with a mesh screen to limit visibility to the site. Private property used for storage of construction material or debris shall be restored to a legal condition with regard to appearance and maintenance upon conclusion of the project. Property should be graded and free of weeds and debris when project is completed.

[END OF ARTICLE]

ARTICLE 2 - PERFORMANCE OF THE WORK

2.01 PERFORMANCE OF WORK - GENERAL

Contractor shall, at its own cost and expense, furnish all necessary materials, labor, transportation, and equipment for doing and performing said Work and the materials used shall comply with the requirements of the Contract Documents. All Work shall be performed and completed as required in the Contract Documents, and subject to the approval of the Director, or his/her designated assistant.

2.02 NO ASSIGNMENT OR DELEGATION

Contractor shall not assign or delegate the duties or obligations under this Contract or his/her interest therein in whole or in part without the prior written consent of the City which may be withheld at the City's sole discretion.

2.03 STANDARD OF PERFORMANCE

Contractor agrees that all services performed hereunder shall be provided in a manner commensurate with the highest professional standards and shall be performed by qualified and experienced personnel; that any Work performed by Contractor under the Contract will be performed in the best manner; that any material furnished shall be subject to the approval of the Director; and that both Work and materials will meet fully the requirements of the Contract Documents. Any work deemed unacceptable by the Director, whether a cause is determined or not shall be repaired or replaced by Contractor at Contractor's expense.

The Contractor shall be responsible for the final product and shall make any quality control, adjustments and corrections necessary to obtain the final product accepted by the City Engineer. The Contractor shall perform process and quality control sampling and testing and exercise management control the work of his/her subcontractors, technicians and workers to ensure that the milling, transporting, recycling, spreading, compaction, and finishing processes conform to these Specifications. The proficiency of testing laboratories and sampling and testing personnel shall be reviewed and approved by the City Engineer prior to providing services to the project. The City Engineer shall have unrestricted access to the laboratory, sampling, testing sites, and all information resulting from mix design and quality control activities. All Quality Control testing results shall be submitted to the City Engineer on a daily basis.

2.04 DEFECTIVE WORK

Within the time periods that the City specifies, the Contractor shall correct all deficient, improperly executed, or unsatisfactory Work determined by the City.

The Contractor shall remove and shall repair or replace, at his/her own expense any part of the Work that is deficient, improperly executed, or unsatisfactorily executed, even though it has been included in the monthly estimates. If he/she refuses or neglects to remove, repair, or replace such defective Work, prior to the City's acceptance of the Work, it may be replaced by the City at the expense of the Contractor, plus 15% for overhead expenses, and his/her sureties shall be liable therefor. (See Paragraph 2.15 for curing defects after acceptance of the Work.)

2.05 CITY'S RIGHT TO CARRY OUT THE WORK

A. Notwithstanding other remedies available to the City, if the Contractor defaults, fails to perform Work required by the Contract Documents, or otherwise neglects to carry out the Work in accordance with the Contract Documents and fails within a 48 hour period after receipt of written notice from the City to commence and correct such default, failure to perform, or neglect with diligence and promptness, the

City, at its sole discretion and without obligation, may, with its own or outside forces, perform the Work Contractor has failed to perform and/or replace or correct deficiencies in the Work. In such case, a Change Order or Construction Change Directive shall be issued deducting from payments then or thereafter due to the Contractor the cost of completion, replacement or correction of such deficiencies, including compensation for additional services by the City's project management staff, the Architect, and their respective consultants made necessary by such default, failure to perform, or neglect, plus 15% for City's overhead expenses. If payments then or thereafter due the Contractor are not sufficient to cover such amounts, the Contractor shall pay the difference to the City immediately. This remedy is cumulative.

- B. The City also has the right, but not the obligation, to self-perform or have outside forces perform portions of the Work previously assigned to Contractor. In such case a Change Order or Construction Change Directive shall be issued, reducing the Contract Sum by the Unit Price(s) applicable to such deleted Work or, in the absence of Unit Prices, an amount that reflects the reasonable cost of performing such deleted Work and the Allowable Mark-Up applicable to such deleted Work.

2.06 COMMUNICATIONS AND NOTICES REGARDING THE WORK

- A. Notices under the Contract Documents shall be in writing and (a) delivered personally, (b) sent by certified mail, return receipt requested, (c) sent by a recognized overnight mail or courier service, with delivery receipt requested, or (d) sent by facsimile communication followed by a hard copy and with receipt confirmed by telephone, to the following addresses (or to such other address as may from time to time be specified in writing by such Person):

All correspondence with Contractor shall be sent to the following address:

Best Drilling and Pump, Inc.	_____
1640 Pellisier Rd.	_____
Colton, CA 92324	_____
Attention:	Dean Garcia
Phone:	951-684-1952
Facsimile:	951-684-3852

All communications shall be copied to City and shall be delivered to City's Director at the address set forth below, with copies to such additional persons as may be directed by City's Director.

City of Vernon	_____
Public Utilities Department	_____
4305 Santa Fe Avenue	_____
Vernon, CA 90058	_____
Attention:	Abraham Alemu, Interim General Manager
Phone:	323-583-8811 ext. 250
Facsimile:	323-826-1425
E-mail:	aalemu@ci.vernon.ca.us

- B. Notices shall be deemed received when actually received in the office of the addressee (or by the addressee if personally delivered) or when delivery is refused, as shown on the receipt of the U. S. Postal Service, private carrier or other Person making the delivery. Notwithstanding the foregoing, notices sent by facsimile after 4:00 p.m. Pacific Standard or Daylight Time (as applicable) and all

other notices received after 5:00 p.m. shall be deemed received on the first business day following delivery (that is, in order for a fax to be deemed received on the same day, at least the first page of the fax must have been received before 4:00 p.m.). Any technical or other communications pertaining to the Work shall be conducted by Contractor's Project Manager and technical representatives designated by City. Contractor's representatives shall be available at all reasonable times for consultation, and shall be authorized to act on behalf of Contractor in matters concerning the Work.

- C. Contractor shall copy City on all written correspondence pertaining to the Contract between Contractor and any Person other than Contractor's Subcontractors, consultants and attorneys.
- D. Notification of Affected Residents/Businesses – The Contractor shall be responsible for distribution of the general information letter of the project to all affected residents and businesses. A project general information letter and sufficient copies thereof will be prepared by City staff for Contractor distribution to all residents, business establishments, and institutions fronting on or directly affected by the project.

The Contractor shall be responsible for distribution of said letter in handout form to all the appropriate residences and buildings in the subject area. Distribution shall be accomplished in a manner acceptable to the City Engineer and shall be five (5) working days prior to the beginning of construction operations in the immediate vicinity. In addition to the above, the Contractor shall be fully responsible for such other notifications as may be required related to necessary closures of streets, alleys, driveways, etc., or to unavoidable access or parking restrictions. These notifications shall apply where the closures and access or parking restrictions required in the performance of any work under this contract preclude any resident, tenant, or property owner from utilizing the premises or conducting business thereon in a reasonable and customary manner.

Additional notification to the affected businesses and residents shall be prepared by the City and distributed by the Contractor for roadway and driveway closures five (5) working days in advance of any construction work. No removal or excavation work is allowed until the additional notification has been distributed to the affected residents and businesses.

If a Contractor is unable to adhere to his schedule as indicated on his written notification, then all the affected residents and places of business shall be re-notified of the revised schedule, in writing, as indicated above.

Contractor costs for all of the above notifications shall be considered as included in the appropriate items of the Bid Proposal.

- E. Notification of Utilities – The provisions of Section 5 entitled "Utilities" of the "Greenbook" Standard Specifications shall apply. The Contractor shall contact the Underground Service Alert of Southern California (U.S.A.) at least two working days in advance of the construction work

2.07 INDEPENDENT CONTRACTOR

The Contractor in the performance of the Work hereunder will be acting in an independent capacity and not as an agent, employee, partner, or joint venture of the City.

2.08 EMERGENCY WORK

- A. During Working Hours:

In case of an emergency which threatens loss or injury of property, and/or safety of life during working

hours, the Contractor shall act, without previous instructions from the City, as the situation may warrant. He/she shall notify the Director of the emergency and the action taken immediately thereafter. Any compensation claimed by the Contractor, together with substantiating documents in regard to expense, shall be submitted to the Director within 15 calendar days after the emergency. Compensation, if allowed, will be paid for as Extra Work.

B. Outside of Working Hours:

Whenever, in the opinion of the City, there shall arise outside of the regular Working hours on the Contract Work of an emergency nature which threatens loss or injury of property, or danger to public safety, the Contractor shall act, without previous instructions from the City as the situation may warrant. He/she shall notify the Director of the emergency and the action taken immediately thereafter. Any compensation claimed by the Contractor, together with substantiating documents in regard to expense, shall be submitted to the Director within 15 calendar days after the emergency. Compensation, if allowed, will be paid for as Extra Work. In the event the Contractor is not able to respond to an emergency outside of regular working hours, the City's forces will handle such emergency Work. If such emergency arises out of or is the result of operations by the Contractor, the cost of the corrective measures will be billed to the Contractor and deducted from his/her payment as provided in the Contract Documents. The performance of emergency Work by City forces will not relieve the Contractor of any of his/her responsibilities, obligations, or liabilities under the Contract.

2.09 SUBCONTRACTORS

- A. Each subcontract shall contain a reference to the Contract between the City and the principal Contractor, and the terms of the Contract and all parts thereof shall be made part of each subcontract insofar as applicable to the Work covered thereby. If, in the Director's opinion, the Subcontractor fails to comply with the requirements of the principal Contract insofar as the same may be applicable to the Subcontractor's Work, the Director may disqualify the Subcontractor.
- B. Nothing contained in these Contract Documents shall be construed as creating any contractual relationship between any Subcontractor and the City.
- C. The Contractor shall be considered the employer of the Subcontractors and shall be fully responsible to the City for the acts and omissions of Subcontractors and of persons employed by them as the Contractor is for the acts and omissions of persons directly employed by him/her.
- D. The Contractor shall be responsible for the coordination of the trades, Subcontractors, and material suppliers engaged upon the Work. It shall be the Contractor's duty to see that all of his/her Subcontractors commence their Work at the proper time and carry it on with due diligence so that they do not delay or injure either the Work or materials; and that all damage caused by them or their workers is made good at his/her expense.
- E. The City will not undertake to settle differences between the Contractor and his/her Subcontractors or between subcontractors.
- F. The Contractor shall utilize the services of specialty Subcontractors, without additional expense to the City, on those parts of the Work which are specified to be performed by specialty contractors.

2.10 USE OF FACILITIES PRIOR TO COMPLETION OF CONTRACT

- A. Whenever in the opinion of the Director any Work under the Contract, or any portion(s) thereof, is in a condition suitable for use by the City, the City may, after written notice and designation from the

Director to the Contractor, use (which includes, but is not limited to, taking over or placing into service) any portion(s) designated by the Director.

- B. The use of any portion(s) by the City shall not be construed as, and will not constitute acceptance in any sense, of any portion(s) of the Work of the Contractor nor will such use trigger the running of any warranty and/or guarantee periods.
- C. All necessary repairs, renewals, changes, or modifications in the Work or any portion thereof so used, not due to ordinary wear and tear, but due to defective materials or workmanship, the operations of the Contractor, or any other cause, shall be made at the expense of the Contractor.
- D. The use of any portion(s) by the City shall not relieve the Contractor of any of his/her responsibilities or liabilities under the Contract nor constitute a waiver by the City of any of the conditions thereof. Said use shall not cancel liquidated damages as of the first date of use, or any continuance thereof, nor impair, reduce, or change the amount of liquidated damages.

2.11 COOPERATION WITH OTHER WORK FORCES

- A. The City reserves the right to perform other Work at or near the site at any time by the use of its own forces or other contractors.
- B. Other contractors, other utilities and public agencies or their contractors, other City contractors, and City personnel may be working in the vicinity during the project construction period. There may be some interference between these activities and the Work under the Contract Documents. The Contractor shall cooperate and coordinate his/her Work with that of other Work forces to assure timely Contract completion.

2.12 AGREEMENTS WITH PROPERTY OWNERS

Agreements with property owners for storing excavated material, storing any other materials, or for any other purpose related to the Work shall be made in writing and a copy submitted to the Director for his/her information. All storage charges shall be at the Contractor's sole expense.

2.13 PROTECTION OF PROPERTY

All public and private property, pavement or improvement, shall be safely guarded from damage or loss in connection with this Contract by the Contractor at all times. Should any facility, structure, or property be damaged during operations of the Contractor, he/she shall immediately notify the property owners or authorities. All damages and losses incurred shall be paid by the Contractor.

2.14 CONTRACTOR'S RESPONSIBILITIES FOR LOSSES OR LIABILITIES

- A. Risk of Loss

Except as otherwise provided in the Contract Documents and except as to the cost of repair or restoration of damage to the Work caused by force majeure, the Contractor shall bear all losses resulting to him/her on account of the amount or character of the Work, or from any unforeseen obstructions or difficulties which may be encountered, or from any encumbrances on the line of the Work, or because the nature of the ground in or on which the Work is done is different from what is assumed. The Contractor shall bear the risk for any City equipment, material, or supplies with which he/she has been entrusted.

B. Materials and Facilities

The Contractor shall be responsible for materials and facilities as hereinafter provided and in the event of his/her failure to carry out said responsibilities, the same may be carried out by the City at the expense of the Contractor:

1. The Contractor shall be responsible for any materials so furnished and for the care of all Work until its completion and final acceptance, and he/she shall at his/her own expense replace damaged or lost materials and repair damaged parts of the Work.
2. The Contractor shall protect City facilities from damage resulting from his/her Work. City facilities damaged by, or as a result of, the Contractor's Work under this Contract shall be repaired or replaced, as directed by the Director, at the Contractor's expense.
3. The Contractor shall remove from the vicinity of the completed Work all buildings, rubbish, unused material, concrete forms, and other materials belonging or used under his/her direction during construction. If Contractor fails to completely remove such items within a reasonable time the City may do so at the Contractor's expense.

C. Laws and Regulations

1. The Contractor shall obey all laws, ordinances, and regulations in any manner affecting those engaged or employed on the Work, or the materials used in the Work, or in any way affecting the conduct of the Work, and of all court orders and decrees having any jurisdiction or authority over the same. If any discrepancy or inconsistency should be discovered in this Contract, or in the Drawings or Specifications herein referred to, in relation to any such law, ordinance, regulation, order, or decree, he/she shall immediately report the same in writing to the Director.
2. Contractor shall, at all times, cause all his/her agents and employees to observe and comply with all such applicable laws, ordinances, regulations, orders, and decrees in effect or which may become effective before Final Completion of this Contract.
3. Nothing in the Contract Documents shall be construed to permit Work not conforming to such laws, ordinances, and regulations. If the Contractor ascertains at any time that any requirement of this Contract is at variance with such applicable law requirement, he/she shall immediately notify the Director.
4. If such applicable law requirement was not in effect on the date of submission of bids, any necessary adjustment of the Contract price shall be made as provided in Article 6 herein. If such applicable law requirement was in effect on said date of bid submission, no adjustment of Contract price will be considered.
5. The Contractor, at his/her own expense, shall pay all taxes properly assessed against his/her equipment, materials, or property used or required in connection with the Work.

2.15 WARRANTY AND CORRECTIONS

A. Warranty

1. Warranty. The Contractor warrants to the City that: (i) materials and equipment furnished under the Contract will be of good quality and new unless otherwise required or permitted by the Contract Documents; (ii) the Work will be of good quality and free from defects; (iii) the Work will conform to the requirements of the Contract Documents; and (iv) Contractor will

deliver the Project free of stop notice claims. Work not conforming to these requirements, including substitutions not accepted by the City, will be deemed defective. The Contractor's warranty excludes improper or insufficient maintenance, improper operation, or normal wear and tear and normal usage. If required by the City, the Contractor shall furnish satisfactory evidence as to the kind and quality of materials and equipment. This warranty is not limited by the correction obligation of Paragraph 2.04 herein.

2. Overlap. Where any warranties provided under the Contract Documents overlap, conflict, or are duplicative, Contractor will be bound by the more stringent requirements.
3. Procurement and Assignment of Warranties: Contractor shall obtain in the name of City, or transfer or assign to City or City's designee prior to the time of Final Completion of the Work, any and all warranties or guarantees which Contractor is required to obtain pursuant to the contract Documents and which Contractor obtained from any other person or entity other than Contractor including, but not limited to, Subcontractors and manufacturers, and further agrees to perform the Work in such a manner so as to preserve any and all such warranties. Contractor shall secure written warranties from all Subcontractors. Contractor and its Subcontractors shall offer any warranty upgrades or extensions that are offered by manufacturers of any equipment or system installed in the Work to the City. Contractor shall deliver to City all warranty and guarantee documents and policies.
4. Survival of Warranties: The provisions of this paragraph 2.15 will survive Contractor's completion of the Work or termination of Contractor's performance of the Work.

B. Correction of Work

1. Before or After Final Completion. The Contractor shall promptly correct Work rejected by the City or City's designee, as failing to conform to the requirements of the Contract Documents, whether discovered before or after Final Completion and whether or not fabricated, installed, or completed. Costs of correcting such rejected Work, including additional testing, inspections, and compensation for the City's services and expenses made necessary thereby, will be at the Contractor's expense within the Contract Price.
2. After Final Completion.
 - (a) In addition to the Contractor's warranty obligations under Paragraph 2.15-A, if, within one (1) year after the date of Final Completion of the Work or within the time period established by any applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall commence correction or replacement of such Work within forty-eight (48) hours after receipt of written notice from the City to do so. The Contractor shall perform such corrective work without charge or cost to the City after Final Completion of the Work. The City shall give such notice promptly after discovery of the condition.
 - (b) If the Contractor fails to commence correction or replacement of non-conforming Work within forty-eight (48) hours after receipt of written notice, the City will proceed to have defects repaired or replaced at the expense of the Contractor and its Performance Bond surety, plus fifteen percent (15%) for the City's overhead and administrative expense. The City may charge such costs against any payment due Contractor. If, in the opinion of the City, defective work creates a dangerous or hazardous condition or requires immediate correction or attention to

prevent further loss to the City or to prevent interruption of operations of the City, the City may take immediate action, give notice, make such correction, or provide such attention and the cost of such correction or attention will be charged against the Contractor. Such action by the City will not relieve the Contractor of the warranties provided in this Article or elsewhere in the Contract Documents.

3. Replacement or Removal of Defective or Unauthorized Work. The Contractor shall remove from the Site and replace those portions of the Work which are not in accordance with the requirements of the Contract Documents in a manner acceptable to and as ordered by the Director. No compensation shall be allowed for such removal or replacement. Director shall have authority to cause defective work to be remedied, removed or replaced and to deduct the costs from monies due or to become due to the Contractor.
4. Destruction or Damage. In the event the Contractor destroys or damages any construction of the City or another contractor while correcting or removing Work which is not in accordance with the requirements of these Contract Documents, the Contractor shall bear the cost of repairing or reconstructing that other construction as well.
5. No Limitation. Nothing contained in Paragraph 2.15-B will be construed to establish a period of limitation with respect to other obligations which the Contractor might have under the Contract Documents. Establishment of the one-year period for correction of Work as described in Paragraph 2.15-B relates only to the specific obligation of the Contractor to correct the Work, and has no relationship to the limitations periods established by statute for any construction defect or other causes of action.

2.16 CLEANING AND ENVIRONMENTAL CONTROLS

The Contractor, Subcontractors and employees shall comply with all litter and pollution laws and it shall be the responsibility of the Contractor to ensure compliance. The Contractor shall do all of the following:

- A. Maintain the Site free of waste materials, debris, and rubbish and in a clean and orderly condition; and Remove waste materials, debris and rubbish from site and dispose off-site legally.
- B. The Contractor shall maintain at his/her disposal any and all equipment necessary to prevent and remediate any sanitary sewer overflow arising out of the Work. The Contractor shall furnish and operate a self-loading motor sweeper with spray nozzles, as directed by the Director, to maintain the affected areas in a condition of cleanliness acceptable to the City at all locations affected by the Contractor's operations. For purposes of this Paragraph, the affected areas include the project Site as well as all haul routes to and from the project Site and all areas of construction and restoration which have not been completed.
- C. The Contractor shall take appropriate action to ensure that no dust originates from the project Site.
- D. Any equipment or vehicles driven and/or operated within or adjacent to a street gutter, storm drain, runoff conveyance or ocean shall be checked and maintained daily to prevent leaks of materials that if introduced to water could be deleterious to aquatic life.
- E. No debris, soil, silt, sand, bark, trash, sawdust, rubbish, cement or concrete or washings thereof, oil or petroleum products or other organic or earthen material from any construction, or associated activity or whatever nature shall be allowed to enter into or placed where same may be washed by rainfall or runoff into waters of the State. When operations are completed, any excess materials or debris shall be removed from the Work area.

2.17 WATER POLLUTION CONTROL

- A. The Contractor shall meet all applicable City of Vernon, state and federal clean water laws, rules and regulations including but not limited to all conditions set forth in the Vernon Municipal Code Chapter 21, Article 5 regarding stormwater and urban runoff controls as it relates to public agency activities including, but not limited to storm and/or sanitary sewer system inspection and repair, street sweeping, trash pick-up and disposal, and street and right-of-way construction and repair are required to implement and maintain the activity specific Best Management Practices (BMPs) listed in Table 2-1 below in compliance with the National Pollutant Discharge Elimination System (NPDES) requirements. Contractor shall not discharge any water containing trash, debris, pollutants, fuels, oils, soaps or other non-allowable constituents from its sweeping vehicles upon any city street, to any storm drain or any non-permitted outlet. As part of its submission, contractor shall describe its methods for preventing NPDES violations during sweeping operations within the City. In addition, Contractor shall comply with all NPDES requirements at its maintenance facilities, storage yards and company facilities. Failure to comply with this section may result in termination for cause by the City of any contract resulting from this solicitation.

Table 2-1. BMPs for Public Agency Facilities and Activities

General and Activity Specific BMPs	
General BMPs	Scheduling and Planning
	Spill Prevention and Control
	Sanitary/Septic Waste Management
	Material Use
	Safer Alternative Products
	Vehicle/Equipment Cleaning, Fueling and Maintenance
	Illicit Connection Detection, Reporting and Removal
	Illegal Spill Discharge Control
	Maintenance Facility Housekeeping Practices
Flexible Pavement	Asphalt Cement Crack and Joint Grinding/ Sealing
	Asphalt Paving
	Structural Pavement Failure (Digouts) Pavement Grinding and Paving
	Emergency Pothole Repairs
	Sealing Operations
Rigid Pavement	Portland Cement Crack and Joint Sealing
	Mudjacking and Drilling
	Concrete Slab and Spall Repair
Slope/Drains/Vegetation	Shoulder Grading
	Nonlandscaped Chemical Vegetation Control
	Nonlandscaped Mechanical Vegetation Control/Mowing
	Nonlandscaped Tree and Shrub Pruning, Brush Chipping, Tree and Shrub Removal
	Fence Repair
	Drainage Ditch and Channel Maintenance
	Drain and Culvert Maintenance
	Curb and Sidewalk Repair
Litter/ Debris/ Graffiti	Sweeping Operations

	Litter and Debris Removal
	Emergency Response and Cleanup Practices
	Graffiti Removal
Landscaping	Chemical Vegetation Control
	Manual Vegetation Control
	Landscaped Mechanical Vegetation Control/ Mowing
	Landscaped Tree and Shrub Pruning, Brush Chipping, Tree and Shrub Removal
	Irrigation Line Repairs
	Irrigation (Watering), Potable and Nonpotable
Environmental	Storm Drain Stenciling
	Roadside Slope Inspection
	Roadside Stabilization
	Stormwater Treatment Devices
	Traction Sand Trap Devices
Bridges	Welding and Grinding
	Sandblasting, Wet Blast with Sand Injection and Hydroblasting
	Painting
	Bridge Repairs
Other Structures	Pump Station Cleaning
	Tube and Tunnel Maintenance and Repair
	Tow Truck Operations
	Toll Booth Lane Scrubbing Operations
Electrical	Sawcutting for Loop Installation
Traffic Guidance	Thermoplastic Striping and Marking
	Paint Striping and Marking
	Raised/ Recessed Pavement Marker Application and Removal
	Sign Repair and Maintenance
	Median Barrier and Guard Rail Repair
	Emergency Vehicle Energy Attenuation Repair
Storm Maintenance	Minor Slides and Slipouts Cleanup/ Repair
Management and Support	Building and Grounds Maintenance
	Storage of Hazardous Materials (Working Stock)
	Material Storage Control (Hazardous Waste)
	Outdoor Storage of Raw Materials
	Vehicle and Equipment Fueling
	Vehicle and Equipment Cleaning
	Vehicle and Equipment Maintenance and Repair
	Aboveground and Underground Tank Leak and Spill Control

B. Water Quality Protection Requirements for Construction Projects with Less than One (1) Acre of Disturbed Soil.

All construction projects, regardless of size, will be required to implement best management practices

(BMPs) necessary to reduce pollutants to the Maximum Extent Practicable (MEP) to meet the minimum water quality protection requirements and implement all applicable set of BMPs as defined in Table 2-2.

Table 2-2 Minimum Water Quality Protection Requirements and Applicable Set of BMPs for All Construction Projects		
Category	Minimum Requirements	BMPs
1. Sediment Control	Sediments generated on the project site shall be retained using adequate Treatment Control or Structural BMPs.	Sediment Control
2. Non-Stormwater Management, Waste Management and Materials Pollution Control	Construction-related materials, wastes, spills or residues shall be retained at the project site to avoid discharge to streets, drainage facilities, receiving waters, or adjacent properties by wind or runoff. Non-storm water runoff from equipment and vehicle washing and any other activity shall be contained at the project sites.	Stormwater Management; Waste Management
3. Erosion Control	Erosion from slopes and channels shall be controlled by implementing an effective combination of BMPs, such as the limiting of grading scheduled during the wet season; inspecting graded areas during rain events; planting and maintenance of vegetation on slopes; and covering erosion susceptible slopes.	Erosion Control

Please refer to the California Stormwater Quality Association's Construction Handbook (available on their website: www.cabmphandbooks.com) for further information regarding the BMPs listed in Table 2-2.

All construction projects with Less than One (1) Acre of Disturbed Soil shall submit to the City a signed Statement of Intent to Comply with Minimum Requirements of the Stormwater Permit (Exhibit 5).

The Contractor may self-certify that the following training was completed on an annual basis providing they certify they have received all applicable training:

- The Contractor shall train all of their employees in targeted positions (whose interactions, jobs, and activities affect stormwater quality) on the requirements of the overall stormwater management program.
- When the Work includes the use or have the potential to use pesticides or fertilizers, the Contractor shall train all of their employees (whether or not they normally apply pesticides or fertilizers as part of their work). Training programs shall address:
 - 1) The potential for pesticide-related surface water toxicity
 - 2) Proper use, handling, and disposal of pesticides
 - 3) Least toxic methods of pest prevention and control, including Integrated Pest Management
 - 4) Reduction of pesticide use

- C. Water Quality Protection Requirements for Construction Projects with One (1) Acre (or greater) of Disturbed Soil. In addition to the minimum BMPs required in Paragraphs A and B, all construction projects where at least one (1) acre of soil will be disturbed, construction activity that results in land surface disturbances of less than one acre if the activity is part of a larger common plan of development, or the sale of one or more acres of disturbed land surface requires a Construction Activities Storm Water General Permit (2009-0009-DWQ Permit).

Prior to commencement of construction activities, the Permit Registration Documents (PRDs) must be submitted electronically in the Storm Water Multi-Application Report Tracking System (SMARTS) (<http://smarts.waterboards.ca.gov/smarts/faces/SwSmartsLogin.jsp>). PRDs consist of the Notice of Intent, Risk Assessment, Post-Construction Calculations, a Site Map, the Storm Water Pollution Prevention Plan (SWPPP), a signed certification statement by the Legally Responsible Person (LRP), and the first annual fee.

See: http://www.swrcb.ca.gov/water_issues/programs/stormwater/construction.shtml for more information. A Waste Discharger Identification (WDID) will be emailed to the LRP after the PRDs have been submitted and are deemed complete. Construction activities cannot begin until a WDID is issued by the State Water Resources Control Board. Contractor shall bear the costs of any delays to the Project caused by a delay in obtaining its WDID.

The SWPPP shall include:

1. The name, location, period of construction, and a brief description of the project;
2. Contact information for the owner and contractor;
3. The building permit number for the project;
4. The grading permit number for the project (where applicable);
5. A list of major construction materials, wastes, and activities at the project site;
6. A list of best management practices to be used to control pollutant discharges from major construction materials, wastes, and activities;
7. A site plan (construction plans may be used) indicating the selection of BMPs and their location where appropriate;
8. Non-storm water discharges, their locations, and the BMPs necessary to prevent the discharge;
9. A maintenance and self-inspection schedule of the BMPs to determine the effectiveness and necessary repairs of the BMPs; and
10. A certification statement that all required and selected BMPs will be effectively implemented.

Within seven (7) days after the City awards the Contract, the Contractor shall submit seven (7) copies of the proposed SWPPP to the City. The City shall review the SWPPP within 14 days of receipt of the plan. If revisions are required, the Contractor shall revise and re-submit the document within seven (7) days of its receipt of the City's comments. The City shall then have seven (7) days to consider the revisions made by the Contractor and approve the SWPPP.

The Contractor shall maintain a minimum of two (2) readily accessible copies of the SWPPP at the Project site. The SWPPP shall be made available upon request of a representative of the Los Angeles Regional Water Quality Control Board (LARWQCB) or the U.S. Environmental Protection Agency (U.S. EPA). Requests by environmental groups and the public shall be directed to the City.

D. Best Management Practices

The objective of the SWPPP is to identify potential sources of pollution that may reasonably affect the quality of storm water discharge associated with construction activities. The plan will describe and ensure the implementation of Best Management Practices (BMPs) which will be used to reduce pollutants in the storm water discharges from the construction site. A Best Management Practice is defined as any program, technology, process, operating method, measure, or device that controls, prevents, removes, or reduces pollution. The Contractor shall select appropriate BMPs from the California Stormwater BMP Handbook, Municipal, Industrial, New Development, and Construction Volumes (www.cabmphandbooks.com) in conjunction with all activities and construction operations. Copies of the California Stormwater BMP Handbooks may be obtained from:

California Stormwater Quality Association
P.O. Box 2313
Livermore, CA 94551
www.cabmphandbooks.com

Cashier
Los Angeles County DPW
900 South Fremont Avenue
Alhambra, CA 91803
Tel. No. (626) 458-6959

E. Implementation

The Contractor will be responsible throughout the duration of the Project for the installation, monitoring, inspection and maintenance of the BMPs included in the SWPPP and for removing and disposing of temporary BMPs. The Contractor may be required to implement additional BMPs as a result of changes in actual field conditions, contractor's activities, or construction operations.

The Contractor shall demonstrate the ability and preparedness to fully deploy these SWPPP control measures to protect soil-disturbed areas of the project site before the onset of precipitation and shall maintain a detailed plan for the mobilization of sufficient labor and equipment to fully deploy these control measures.

Throughout the winter season, active soil-disturbed areas of the project site shall be fully protected at the end of each day with these control measures unless fair weather is predicted through the following day. The Contractor shall monitor daily weather forecasts. If precipitation is predicted prior to the end of the following workday, construction scheduling shall be modified, as required, and the Contractor shall deploy functioning control measures prior to the onset of the precipitation.

The City may order the suspension of construction operations which are creating water pollution if the Contractor fails to conform to the requirements of this Paragraph 2.17. Unless otherwise directed by the City, the Contractor's responsibility for SWPPP implementation shall continue throughout any temporary suspension of the Work.

F. Sewage Spill Prevention. The Contractor's attention is directed to the sewer bypass operation required during any sewer construction pursuant to the 2012 edition of the "Greenbook" Standard Specifications for Public Works Construction, Section 500.1.2.4 or as that section is subsequently amended.

The Contractor shall exercise extraordinary care to prevent the cause of events that may lead to a sewage spill. In the event of a sewage spill, the Contractor shall make arrangements for an emergency response unit comprised of emergency response equipment and trained personnel to be immediately dispatched to the project site.

The Contractor shall be fully responsible for preventing and containing sewage spills as well as recovering and properly disposing of raw sewage. In addition, the Contractor is responsible for any fines, penalties and liabilities arising from negligently causing a sewage spill. Any utility that is

damaged by the contractor shall be immediately repaired at the Contractor's expense. The Contractor shall take all measures necessary to prevent further damage or service interruption and to contain and clean up the sewage spills.

G. Sewage Spill Telephone Notification

Should a sewage spill occur, the Contractor shall immediately report the incident to both of these two City Departments:

Sewer Maintenance ServicesCity of Vernon Control Center (323) 826-1461

Fire Department Dispatch Center 911

The Contractor is encouraged to obtain telephone numbers, pager numbers and cellular telephone numbers of City representatives such as Project Managers and Inspectors. However, if these City representatives are not available, then the Contractor shall immediately call:

Todd Dusenberry (323) 807-4261

H. Sewage Spill Written Notification

The Contractor shall prepare and submit a written report to the Director within three (3) Working Days from the occurrence of a spill to the City. This report shall describe all of the following:

1. The exact location on the Thomas Guide map
2. The nature and volume
3. The date, time and duration
4. The cause
5. The type of remedial and/or cleanup measures taken and date and time implemented
6. The corrective and preventive action taken, and
7. The water body impacted and results of necessary monitoring

I. Enforcement

The City is subject to enforcement actions by the LARWQCB, U.S. EPA, environmental groups and private citizens. The Contractor shall indemnify, defend and hold City, its officers, agents and employees harmless from Contractor's failure to comply and/or fulfill the requirements set forth in this Paragraph 2.17. Contractor shall be responsible for all costs and liabilities imposed by law as result of Contractor's failure to comply and/or fulfill the requirements set forth in this Paragraph 2.17. The costs and liabilities include, but are not limited to fines, penalties and damages whether assessed against the City or the Contractor.

In addition to any remedy authorized by law, any money due to the Contractor under this contract shall be retained by the City until all costs and liabilities imposed by law against the City or Contractor have been satisfied.

J. Maintenance

The Contractor shall ensure the proper implementation and functioning of BMP control measures and shall regularly inspect and maintain the construction site for the BMPs identified in the SWPPP. The Contractor shall identify corrective actions and time frames in order to properly address any damaged measure, or reinstate any BMPs that have been discontinued.

If the City identifies a deficiency in the deployment or functioning of identified control measures, the deficiency shall be corrected by the Contractor immediately or by a later date and time if agreed to by Director and if requested in writing, but not later than the onset of the subsequent precipitation events. The correction of deficiencies shall be at no additional cost to the City.

K. Payment

All costs involved in the implementation of the SWPPP, including furnishing all labor, materials, tools, equipment and all incidentals; and for doing all the work involved in installing, constructing, maintaining, removing, and disposing of control measures, except those that were installed as a part of another structure, shall be included in the unit prices bid for the various related items of work and no additional compensation will be made therefor.

2.18 SOLID WASTE DISPOSAL AND DIVERSION

The Contractor shall submit to the Director the following summary of solid waste generated by the Work, disposed in Class III landfills, or diverted from disposal through recycling. Report disposal in inert fill separately. This form must be accompanied by legible copies of weight tickets, receipts, or invoices that specifically identify the project generating the material. Said documents must be from recyclers and/or disposal site operators that are acceptable to the Director. Further, the documents must be submitted to the Director with each application for progress payment. Failure to submit the form and its supporting documentation will render the application for progress payment incomplete and delay progress payments.

SUMMARY OF SOLID WASTE DISPOSAL AND DIVERSION

Project Title: _____ Specification No. _____

Type of Material	(a) Disposed in Class III Landfills	(b) Diverted from Class III Landfills by Recycling	(c) [Leave This Column Blank]	(d) Disposed in Inert Fills
	Tons/CY	Tons/CY	Tons/CY	Tons/CY
Asphalt				
Concrete				
Metal				
Other Segregated Materials (Describe):				
Miscellaneous Construction Waste				
Total				

Form to be submitted to the City

SIGNATURE: _____

TITLE: _____

DATE: _____

2.19 RECYCLED, REUSABLE AND RECYCLABLE PRODUCTS

The Contractor is encouraged to propose recycled, reusable and recyclable products for use by the City. Those items should be clearly identified. The City may require further information or documentation to ascertain the suitability/appropriateness of a proposed product.

[END OF ARTICLE]

ARTICLE 3 - TIME OF COMMENCEMENT AND COMPLETION

3.01 COMMENCEMENT, PROSECUTION, AND COMPLETION OF WORK

A. Notice to Proceed

The Contractor is not authorized to perform any Work the Contract Documents until he/she has received from the City an official notification to commence Work. The date on which the notification is received by the Contractor is herein referred to as the Notice to Proceed. The Contractor shall commence Work on the Date of Commencement established in the Notice to Proceed is issued. The Notice to Proceed shall be issued after the Contract is properly executed, bonds are furnished and approved, and insurance has been submitted and approved.

B. Prosecution of the Work

Work shall be continued at all times with such force and equipment as will be sufficient to complete it within the specified time. The Contractor expressly proposes that he/she has taken into consideration and made allowances for all ordinary delays and hindrances to the Work to be performed and that he/she will complete the Work within the specified time.

C. Required Contract Completion

Time is of the essence in the completion of this Contract. The Work shall be completed in its entirety and made ready for service within one hundred eighty (180) calendar days following the Date of Commencement established in the Notice to Proceed ("Contract Time"). By executing the Contract, Contractor confirms that the Contract Time is a reasonable period for performing the Work.

3.02 CITY'S DISCRETION TO EXTEND CONTRACT TIME

In the event the Work required hereunder is not satisfactorily completed in all parts and in compliance with the Contract Documents, City shall have the right, in its sole discretion, to increase the number of Working Days or not, as may seem best to serve the interest of City. A change order extending the Contract Time only will be issued by the City should the City decide to increase the number of Working Days.

3.03 SUBSTANTIAL COMPLETION

A. Contractor Request for Inspection and Punch List

When the Contractor considers that it has achieved Substantial Completion of the Work, or designated portion thereof, Contractor shall prepare and submit to the Director a request for inspection and a comprehensive punch list of items to be completed or corrected prior to Final Payment. Failure to include an item on such punch list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents.

B. City Inspection

Upon receipt of the Contractor's punch list, the Director will make an inspection to determine whether the Work or designated portion thereof is Substantially Complete. If the inspection discloses any item, whether or not included on the Contractor's punch list, which is not sufficiently complete in accordance with the Contract Documents so that the City can occupy or utilize the Work or designated portion thereof for its intended use, the Contractor shall, before City's issuance of the Certificate of Substantial Completion, complete or correct such item upon notification by City. The

Contractor shall then submit a request for another inspection by City to determine Substantial Completion.

C. Certificate of Substantial Completion

When the Work or designated portion thereof is substantially complete, the Director will prepare a Certificate of Substantial Completion which shall establish the date of Substantial Completion, shall establish responsibilities of the City and Contractor for security, maintenance, utilities, damage to the Work, and insurance, and shall fix the time within which the Contractor shall finish all items on the Contractor's punch list accompanying the Certificate. Warranties required by the Contract Documents shall commence on the date of Substantial Completion of the Work. Contractor shall deliver to City all warranty and guarantee documents and policies.

3.04 DELAYS AND EXTENSIONS OF TIME FOR CONTRACTOR

- A. The Contractor shall take reasonable precautions to foresee and prevent delays to the Work. In the event of any delay to the Work, the Contractor shall revise his/her sequence of operations, to the extent possible under the terms of the Contract, to offset the delay.
- B. If any delay to the Work is caused by circumstances within the Contractor's control, it is not excusable and not compensable, and the Contractor will not be entitled to any extension of time or to any other compensation for damages resulting directly or indirectly therefrom.
- C. If any delay having a direct effect on the Work is caused by circumstances beyond the control of the Contractor except for causes of delay specified in Paragraph 3.04-D., such delay may be excusable and may entitle the Contractor to an equivalent extension of time, but not to any other compensation. Excusable but not compensable causes include but are not limited to labor disputes, weather conditions unfavorable for prosecution of the Work, and force majeure.
- D. If any delay having a direct effect on the Work is caused by failure of the City to provide information as specified, or necessary instructions for carrying on the Work, or to provide the necessary right of way or site for installation, or failure of a utility to remove or relocate an existing facility such delay may be compensable and may entitle the Contractor to an equivalent extension of time, and to compensation for damages resulting directly from any of the causes of delay specified in this paragraph.
- E. The Contractor shall notify the Director in writing of any delay having a direct effect on the Work and the causes thereof within 15 days from the beginning of such delay.
- F. Any claim for an extension of time or for compensation for damages resulting from delay shall be made in writing to the Director not more than 30 days after the ending of such delay. The Contractor shall provide a written report evaluating the impact of the delay which shall include, at a minimum, all of the following:
 - 1. a narrative description of the delay and its impact on the critical path to Substantial Completion of the Work or a portion of the Work designated by City;
 - 2. a detailed breakdown of the Allowable Costs, if any, sought by Contractor due to the delay;
 - 3. the number of days of extension sought by Contractor as an adjustment to the Contract time;
 - 4. a statement that Contractor has complied with the requirements of the General Conditions for written notice of delays, along with the dates and copies of such notices;

5. the measures taken by Contractor and Subcontractors to prevent or minimize the delay; and
6. the Contactor's recommendations for reordering or re-sequencing the Work to avoid or minimize further delay.

No extension of time or compensation for damages resulting from delay will be granted unless the delay affects the timely completion of the overall Work under the Contract or the timely completion of a portion of the Work for which a time of completion is specified.

- G. The Director will investigate the facts and ascertain the extent of the delay, and his/her findings thereon shall be final and conclusive.
- H. Failure of the Contractor to give written notice of a delay, or to submit or document a claim for an extension of time or for damages resulting from delay in the manner and within the times stated above shall constitute a waiver of all claims thereto.
- I. When a Contractor experiences two concurrent delays, one compensable and the other excusable, no compensation other than an extension of time will be allowed.
- J. An extension of time must be approved by the Director to be effective, but an extension of time whether with or without consent of the sureties, shall not release the sureties from their obligations, which shall remain in full force until the discharge of the Contract.

3.05 CLIMATIC CONDITIONS

- A. The Director may suspend the Work whenever weather conditions or conditions resulting from inclement weather are unfavorable for the prosecution of the Work. The delay caused by such suspension may entitle the Contractor to an extension of time but not to any other compensation.
- B. If the Contractor believes that Work should be suspended under this Paragraph 3.05, he/she may request such suspension. The delay caused by such suspension may entitle the Contractor to an extension of time but not to any other compensation.
- C. No extension of time will be granted for suspension of Work unless the suspension affects the timely completion of all Work under the Contract or the timely completion of a portion of the Work for which a time of completion is specified. Determination that the suspension for inclement weather conditions or conditions resulting from inclement weather affects timely completion and entitles the Contractor to an extension of time shall be made and agreed to in writing by the Director and the Contractor on each day that Work is suspended. In the event of failure to agree, the Contractor may protest under the provisions of Paragraph 7.07.
- D. If Work is suspended and an extension of time is granted under this Paragraph 3.05 the Contractor will be entitled to a one day extension of time for each day that he/she is unable to Work at least one-half of his/her current normal Work day; and if the Work is suspended at the regular starting time on any Work day and the Contractor's Workforce is dismissed as a result thereof, then he/she will be entitled to a one day extension of time whether or not conditions change thereafter and the major portion of the day is suitable for Work.

3.06 COMPLETION AND ACCEPTANCE

- A. Upon request by the Contractor, the Director shall conduct a final inspection of the Work. If, in the Director's opinion, Final Completion has been achieved, the Director will accept the Work by issuing a "Notice of Completion" of the Work to the Contractor. Upon the issuance of the Notice of Completion

the Contractor will be relieved from responsibility to protect the Work.

- B. Within 15 calendar days after issuing the Notice of Completion, the Director will record the Notice of Completion with the County Recorder.

3.07 LIQUIDATED DAMAGES

- A. Contractor and City agree to liquidate damages in the amount of one thousand dollars (\$1,000) per day, with respect to Contractor's failure to achieve Substantial Completion of the Work within the Contract Time. The Parties intend for the liquidated damages set forth herein to apply to this Contract as set forth in Government Code Section 53069.85. The Contractor acknowledges and agrees that the liquidated damages are intended to compensate City solely for the Contractor's failure to meet the deadline for Substantial Completion and shall not excuse Contractor from liability from any other breach, including any failure of the Work to conform to the requirements of the Contract Documents.
- B. In the event that Contractor fails to achieve Substantial Completion of the Work within the Contract Time, Contractor agrees to pay City the amount specified in the Contract form for each calendar day that Substantial Completion is delayed.
- C. Contractor and City acknowledge and agree that the foregoing liquidated damages have been set based on an evaluation of damages that the City will incur in the event of late completion of the Work. Contractor and City acknowledge and agree that the amount of such damages are impossible to ascertain as of the effective date hereof and have agreed to such liquidated damages to fix City's damages and to avoid later disputes. It is understood and agreed by Contractor that liquidated damages payable pursuant to this Agreement are not a penalty and that such amount are not manifestly unreasonable under the circumstances existing as of the effective date of this Agreement.
- D. It is further mutually agreed that City shall have the right to deduct liquidated damages against progress payments or retainage and that the City will issue a Construction Change Directive and reduce the Contract Sum accordingly. In the event the remaining unpaid Contract Sum is insufficient to cover the full amount of liquidated damages. Contractor shall pay the difference to City.

[END OF ARTICLE]

ARTICLE 4 - CONSTRUCTION SCHEDULES

4.01 BASELINE PROJECT SCHEDULE

The Contractor shall submit his/her work Baseline Project Schedule, in electronic as well as hard-copy format, to the Director at the pre-construction meeting showing in detail how the Contractor plans to execute and coordinate the Work. The construction schedule shall show the sequence of work, critical path and estimated time for completion of each segment of work. This schedule must be reviewed and accepted by the Director before the Contractor will be permitted to begin work. In addition, the Contractor shall submit a detailed schedule forecasting two (2) weeks of work describing each day's work. This schedule shall be updated and submitted to the City every other Monday during the construction period. The Contractor shall give 48 hours notice to the City Engineer prior to the start of the work.

A. Format

1. At a minimum, the Baseline Project Schedule activities shall be coded on a work discipline basis and by geographic area or location on the Project. The Baseline Project Schedule shall include a detailed description of each activity code. The Baseline Project Schedule shall be based on and incorporate contract milestone and completion dates specified in the Contract Documents. It shall depict events, jobs, and their interrelationships and shall recognize the progress that must be made on one task before subsequent tasks can begin. The schedule shall be comprehensive and shall include all logical interdependencies and interactions required to perform the Work of the Project.
2. Overall time of completion and time of completion for each milestone shown on the Schedule shall adhere to the specified Contract Time, unless an earlier (advanced) time of completion is requested by Contractor, agreed to by the City and formalized by Change Order.
3. Contractor shall use the latest version of Microsoft Project or equivalent software agreed to by the parties.
4. The City will review the submitted Baseline Project Schedule for conformance with these scheduling requirements. Within fourteen (14) calendar days after receipt, the City will accept the proposed Baseline Project Schedule or will return it with comments. If the proposed Baseline Project Schedule is accepted by the City, it shall be deemed part of the Contract Documents. If the Baseline Project Schedule is not accepted by City, Contractor shall revise the Baseline Project Schedule, in accordance with the recommendations of the City, and re-submit same for acceptance, no later than seven (7) calendar days after receipt of said recommendation.
5. Acceptance of Baseline Project Schedule by City, failure to include an element of work, or inaccuracy in Baseline Project Schedule shall not relieve Contractor from the responsibility for accomplishing the Work in accordance with the Contract Documents.

B. Float

1. Critical Work activities are defined as Work activities which, if delayed or extended, will delay the scheduled completion of the milestones and/or time of completion. All other Work activities are defined as non-critical Work activities and are considered to have float. Float is defined as the time that a non-critical Work activity can be delayed or extended without delaying the scheduled completion of the milestones and/or time of completion. Float is considered a Project resource available to either party or both parties as needed. Once identified, Contractor shall monitor, account for, and maintain float in accordance with Critical Path Methodology.

2. Delays of any non-critical Work shall not be the basis for an extension of Contract Time until the delays consume all float associated with that non-critical Work activity and cause the Work activity to become critical.
3. It is acknowledged that City-caused time savings (i.e., critical path submittal reviews returned in less time than allowed by the Contract Documents, approval of substitution requests which result in a savings of time for Contractor, etc.) create shared float. Accordingly, City-caused delays may be offset by City-caused time savings.

C. Weather (This section applies only to projects of one (1) year duration or longer)

The completion time contemplated by this Contract anticipates zero (0) lost days (Work Days) due to normal weather conditions annually and prorated for any duration less than twelve months. Only unusual or extreme weather conditions, as determined by the National Oceanic and Atmospheric Administration, for the time of year will be considered as justification for an extension of time to complete the Project, and only after the zero (0) weather days have been utilized. Annual weather days are not cumulative, and unused days shall become "float" for the benefit of the project, and the schedule adjusted accordingly. The use of weather days by the Contractor shall be subject to all the conditions of claim for an extension of time. The Contractor shall notify the City in writing within ten (10) days of the commencement of each rain event.

D. Early Completion

While the Contractor may schedule completion of the Project earlier than the date established by the Contract Documents, no additional compensation shall become due the Contractor for the use of float time between the Contractor's projected early completion date and the date for Substantial Completion established by the Contract Documents, unless an earlier (advanced) time of completion is requested by Contractor, agreed to by the City, and formalized by Change Order.

4.02 SCHEDULE UPDATES

- A. With each Application for Payment submitted by Contractor (other than the final Application for Payment), the Contractor shall submit to the City an updated Project Schedule revised to indicate the Work completed, status of Work in progress, all progress slippages, corrective actions taken, or slippage carry-over, for all anticipated delays or difficulties, and all other information required to accurately present the actual status of the progress of the Work as of the date of the Application for Payment. If the Contractor does not submit an updated Project Schedule with an Application for Payment, City may withhold payment, in whole or in part, until the updated Project Schedule is submitted. In the event that an update to the Project Schedule indicates a delay to the Contract Time the Contractor shall propose an affirmative plan to correct each such delay, including overtime and/or additional labor, if necessary. In no event shall any Project Schedule update constitute an adjustment in the Contract Time, any deadline, or the Contract Sum unless any such adjustment is agreed to by the City and authorized pursuant to Change Order or Work Directive.
- B. At no time shall historical data contained within the updated Project Schedule (i.e. completed activities) be removed and/or altered in any way. This historical data is to be preserved within each of the updated Project Schedules and submitted with the final schedule update to reflect the actual start and finish dates for each activity within the Schedule.
- C. Any work stoppages within individual work activities that exceed seven (7) calendar days in duration shall be clearly indicated within the updated Project Schedule. In cases where unplanned activity work stoppages exceed seven (7) calendar days activities shall be added to the Project Schedule to clearly

indicate the work stoppage period and identify forecasted resumption and completion of the activity where work has stopped. Contractor shall clearly note all schedule revisions when Project Schedule updates are submitted, as required in this Paragraph 4.02 above.

4.03 NONCOMPENSABLE EXTRAORDINARY MEASURES

- A. Should the City determine, in its sole judgment, that the performance of the Work has not progressed to the level of completion required by the Contract Documents, City shall have the right to order the Contractor to take corrective measures to expedite the progress of construction, at no additional cost to the City, including, without limitation, the following:
1. Working additional shifts of overtime.
 2. Supplying additional manpower, equipment, and/or facilities.
 3. Reschedule activities to maximize practical concurrence of accomplishment of activities.
 4. Submitting a Recovery Schedule discussed above, for resequencing performance of the Work or other similar measures.
 5. Any other actions that may be necessary to mitigate delays.
- B. Such Extraordinary Measures shall continue until the progress of the Work is no longer behind schedule and/or reaches the stage of completion required by the Contract Documents. Contractor shall not be entitled to an adjustment in the Contract Sum in connection with the performance of any such Extraordinary Measures required by the City under this Paragraph. The City may exercise the rights furnished the City pursuant to this Paragraph as frequently as the City deems necessary to ensure that the Contractor's performance of the Work will comply with the Contract Time or interim completion dates set forth in the Contract Documents. If Contractor or its Subcontractors fail to implement or commence Extraordinary Measures within ten (10) calendar days of City's written demand, City may, without prejudice to other remedies, take corrective action at the expense of the Contractor which shall reduce the Contract Sum accordingly.

4.04 CONDITION OF PAYMENT

Compliance by Contractor with the requirements of the Contract Documents pertaining to preparation, submission, revising and updating of the Schedule is a condition precedent to City's obligation to make payment to Contractor of any or all sums that might otherwise be due to Contractor in the absence of such noncompliance. Payment by City under circumstances in which City, for any reason, fails or elects not to assert its right to withhold payment for noncompliance with this Paragraph shall not be construed as a waiver of the right to withhold future payments on account of such noncompliance or any other noncompliance.

[END OF ARTICLE]

ARTICLE 5 - SUSPENSION OR TERMINATION OF CONTRACT

5.01 TERMINATION BY THE CONTRACTOR

- A. Contractor shall have the right to terminate its performance of the Contract only upon the occurrence of one of the following:
1. The Work is stopped for a period of ninety (90) consecutive days through no act or fault of the Contractor, any Subcontractor, Sub-subcontractor, their agents or employees, or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, due to:
 - a. the issuance of an order of a court or other public authority having jurisdiction; or
 - b. an act of government, such as a declaration of national emergency making material unavailable;and Contractor has given City written notice within ten (10) days of the occurrence of such ground for termination, then the Contractor may, upon thirty (30) additional calendar days written notice to City, unless the reason has theretofore been cured, terminate its performance of the Work.
 2. The Work is stopped for a period of 120 consecutive days through no act or fault of Contractor, any Subcontractor, Sub-subcontractor, their agents or employees, or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, because the City has persistently failed to perform any material obligation under the Contract Documents and fails to cure such default within ninety (90) days after the receipt of notice from Contractor stating the nature of such default.
- B. If Contractor terminates its performance of the Contract in accordance with this Paragraph 5.01, the City shall pay Contractor for the Work executed through the date of termination as set forth in Paragraph 5.04-C below.

5.02 TERMINATION BY THE CITY FOR CAUSE

A. Grounds

The City shall have the right to terminate the Contractor's performance of the Contract, in whole or in part, without liability to City if:

1. Contractor fails promptly to begin the Work under the Contract Documents; or
2. Contractor refuses or fails to supply enough properly skilled workers or proper materials; or
3. Contractor fails to perform the Work in accordance with the Contract Documents, including conforming to applicable standards set forth therein in constructing the Project, or refuses to remove and replace rejected materials or unacceptable Work; or
4. Contractor discontinues the prosecution of the Work (exclusive of work stoppage: (a) due to termination by City; or (b) due to and during the continuance of a Force Majeure event or suspension by City); or

5. Contractor fails to resume performance of Work which has been suspended or stopped, within a reasonable time after receipt of notice from City to do so or (if applicable) after cessation of the event preventing performance; or
6. Any representation or warranty made by Contractor in the Contract Documents or any certificate, schedule, instrument, or other document delivered by Contractor pursuant to the Contract Documents shall have been false or materially misleading when made; or
7. Contractor fails to make payment to Subcontractors or Material Suppliers for materials or labor in accordance with the respective Contract Documents and applicable law; or
8. Contractor disregards laws, ordinances, or rules, regulations, or orders of a public authority having jurisdiction; or
9. Contractor is guilty of breach of a provision of the Contract Documents; or
10. Contractor becomes insolvent, is adjudicated bankrupt, or makes a general assignment for the benefit of creditors and fails to provide City with adequate assurances of Contractor's ability to satisfy its contractual obligations.

A receiver, trustee, or other judicial officer shall not have any right, title, or interest in or to the Contract. Upon that person's appointment, City has, at its option and sole discretion, the right to immediately cancel the Contract and declare it null and void.

B. City's Rights.

When any of the reasons specified in Paragraph 5.02-A exist, the City may, in addition to and without prejudice to any other rights or remedies of the City, and after giving the Contractor five (5) calendar days written notice, terminate Contractor's performance of the Work, in whole or in part, and may:

1. Take possession of the site and all materials, equipment, tools, construction equipment, and machinery thereon owned by the Contractor;
2. Withhold from Contractor amounts unpaid hereunder and to offset such amounts against damages or losses incurred by City;
3. Accept assignment of subcontracts from Contractor, at the sole discretion of City, and
4. Finish the Work by whatever reasonable method the City may deem expedient.

Upon request of the Contractor, the City shall furnish to the Contractor a detailed accounting of the costs incurred by the City in finishing the Work.

C. Costs

If City's costs to complete and damages incurred due to Contractor's default exceed the unpaid Contract balance, the Contractor shall pay the difference to the City.

D. Wrongful Termination

If it has been adjudicated or otherwise determined that City has wrongfully terminated the Contractor for cause, then said termination shall be deemed converted to a termination for convenience as set forth in Paragraph 5.04 and Contractor's remedy for wrongful termination in such event shall be limited

to the recovery of the payments permitted for termination for convenience as set forth in Paragraph 5.04.

5.03 PARTIAL DELETION OR SUSPENSION OF WORK BY THE CITY

- A. Contractor agrees that the City may determine whether any or all of the Work described in the Contract Documents shall be deleted or performance suspended without electing to terminate the Contractor's performance under the Contract and without any penalty being incurred by the City.
- B. Any such partial deletion or suspension of the Work shall in no way void or invalidate the Contract nor shall it provide Contractor with any basis for seeking payment from City for Work deleted or suspended except to the extent such Work has already been performed and is otherwise compensable under the Contract.
- C. The City shall have the right to later have any such suspended or deleted Work performed by Contractor or others without any penalty to the City.
- D. In the event of any partial or complete deletion or suspension of Work, the City shall furnish Contractor with prompt written notice thereof, and the City shall be entitled to take possession of and have as its property all Record Documents, Accounting Records, and other data prepared by Contractor or its Subcontractors.
- E. Suspension for Convenience.
 - 1. The City may at any time and from time to time, without cause, order the Contractor, in writing, to suspend, delay, or interrupt the Work in whole or in part for such period of time as the City may determine. Such order shall be specifically identified as a "Work Suspension Directive" under this Section.
 - 2. Upon receipt of a Work Suspension Directive, Contractor shall, at the City's expense, comply with its terms and take all reasonable steps to minimize costs allocable to the Work covered by the Work Suspension Directive during the period of Work stoppage.
 - 3. Within the period of suspension, or such extension to that period as is agreed upon by Contractor and the City, the City shall either cancel the Work Suspension Directive or delete the Work covered by such Work Suspension Directive by issuing a Change Order or Construction Change Directive.
 - 4. If a Work Suspension Directive is cancelled or expires, Contractor shall continue the Work. A Change Order or Construction Change Directive will be issued to cover any adjustments of the Contract Sum and Contract Time necessarily caused by such suspension. No adjustment shall be made to the extent:
 - (a) That performance is, was, or would have been so suspended, delayed, or interrupted by another cause for which the Contractor is responsible; or
 - (b) That an equitable adjustment is made or denied under another provision of the Contract.
- F. Suspensions for Cause

City has the authority by written order to suspend the Work, in whole or in part, without liability to City for Contractor's failure to:

 - 1. Correct conditions unsafe for the Project personnel or general public, or

2. Carry out the Contract; or
3. Carry out orders of City.

G. Responsibilities of Contractor During Suspension Periods

During periods that Work is suspended, Contractor shall continue to be responsible for the Work and shall prevent damage or injury to the Project, provide for drainage, and shall erect necessary temporary structures, signs or other facilities required to maintain the Project and continue to perform according to the Contract Documents.

5.04 TERMINATION BY THE CITY FOR CONVENIENCE

A. Grounds

Without limiting any rights which City may have by reason of any default by Contractor hereunder, City may terminate Contractor's performance of the Contract, in whole or in part, at any time, for convenience upon fifteen (15) calendar days written notice to Contractor.

B. Contractor Actions

Upon receipt of such notice, Contractor shall perform the duties required by Paragraph 5.05 below. At the election of and as directed by the City, any or all of the subcontracts and purchase orders entered in to by Contractor prior to the effective date of termination shall be terminated or shall be assigned to City.

C. Compensation

1. If the Parties are unable to agree on the amount of a termination settlement, the City shall pay the Contractor the following amounts:
 - a. For Work performed before the effective date of termination, the total (without duplication of any items) of:
 - i. The cost of the Work; and
 - ii. A sum, as overhead and profit on the cost of the Work, determined by the City to be fair and reasonable. In no event shall Contractor be entitled to recover overhead or profit on Work not performed.
 - b. The reasonable costs of settlement of the Work terminated, including:
 - i. Accounting, clerical, and other expenses reasonably necessary for the preparation of termination settlement proposals and supporting data, if any; and
 - ii. Storage, transportation, and other costs reasonably necessary for the preservation, protection, or disposition of inventory.
2. Such payment shall be Contractor's exclusive remedy for termination for convenience and will be due and payable on the same conditions as set forth for final payment to the extent applicable. Upon receipt of such payment, the Contractor and City shall have no further obligations to each other except for Contractor's obligations with respect to warranties, representations, indemnity,

maintenance of insurance, and other obligations that survive termination or Final Completion as provided for herein.

3. It is understood and agreed that no fee, anticipated profit, compensation for lost opportunity costs, or other compensation or payment of any kind or character shall be due or payable for unperformed Work regardless of the basis of termination and the inclusion of this provision within this subparagraph shall in no way limit its application to termination under this Paragraph.
4. Contractor agrees that each of its subcontracts will reserve for the Contractor the same right of termination for convenience provided by this Paragraph 5.04.

D. No Consequential Damages

Under no circumstances shall Contractor be entitled to anticipatory or unearned profits or consequential or other damages as a result of a termination or partial termination under this Article 5. The payment to Contractor determined in accordance with this Article constitutes Contractor's exclusive remedy for a termination hereunder.

5.05 CONTRACTOR'S DUTIES UPON TERMINATION FOR CAUSE OR CONVENIENCE

If the City terminates Contractor's performance of Work under the Contract, for cause or convenience or if Contractor terminates a Subcontractor with the City's approval, Contractor shall:

- (1) cease performance of the Work to the extent specified in the notice;
- (2) take actions necessary or that the City may direct, for the protection and preservation of the Work;
- (3) settle outstanding liabilities, as directed by City;
- (4) transfer title and deliver to City Work in progress, specialized equipment necessary to perform the Work;
- (5) submit all Record Documents, Accounting Records and other data prepared pursuant to the Contract by Contractor and/or its Subcontractors, as applicable, to the City with fifteen (15) calendar days after the City's notice of termination in an organized, usable form, in both hard copy and electronic/digital form, with all items properly labeled to the degree of detail specified by the City; and,
- (6) except for Work directed by City to be performed prior to the effective date of termination stated in the notice, incur no further costs or expenses and enter into no further subcontracts and purchase orders.

No compensation shall be due Contractor, if any, until Contractor complies with the requirements of this Paragraph.

[END OF ARTICLE]

ARTICLE 6 – CHANGES

6.01 CITY'S RIGHT TO ORDER CHANGES

The City, without invalidating the Contract, may authorize changes in the Work consisting of additions, deletions, or other revisions, with the Contract Sum and Contract Time being adjusted accordingly, if necessary. All such changes in the Work shall be authorized by Change Order or Construction Change Directive and Contractor shall perform such changes in the Work according to the applicable requirements of the Contract Documents.

6.02 APPLICABLE PROVISIONS

Changes in the Work shall be performed under applicable provisions of the Contract Documents. The Contractor shall proceed promptly and diligently with the change, unless otherwise provided in the Change Order or Construction Change Directive. It is of the essence to this Contract that all scope changes in the Work that form the basis of an adjustment of the Contract Sum or Contract Time must be authorized in advance in writing through either a Change Order or Construction Change Directive. A change in the Contract Sum or the Contract Time shall be accomplished only by Change Order or Construction Change Directive. Accordingly, no verbal directions, course of conduct or dealings between the Parties, express or implied acceptance of alterations or additions to the Work, or claim that the Contract has been abandoned or the City has been unjustly enriched by any alteration or addition to the Work shall be the basis of any claim for an increase in any amounts due under the Contract Documents or a change in any time period provided in the Contract Documents.

6.03 NOTICE OF SCOPE CHANGE

Contractor shall submit written notice of any change in scope to the Director if, in the Contractor's opinion, any instruction, request, Drawings, Specifications, action, condition, omission, default, or other situation occurs that the Contractor believes constitutes a scope change or other matter resulting in Extra Work, for which Contractor believes it is entitled to an adjustment of the Contract Sum or Contract Time. Such notice shall be provided prior to performance of the Work affected by such occurrence and within seven (7) calendar days after the discovery date of the circumstances of such scope change or other matters. The written notice shall state the date, circumstances, extent of adjustment to the Contract Sum or the Contract Time, if any, requested. The mere presentation of such notice shall not establish the existence of any right by Contractor to adjustment of the Contract Sum or Contract Time. Failure to provide such timely written notice described herein shall constitute a waiver by Contractor of the right to any adjustment to the Contract Sum or Contract Time on account thereof.

6.04 CHANGE ORDERS

A. Computation

Methods used in determining adjustments to the Contract Sum by Change Order may include those listed in Paragraph 6.06 below.

B. Accord and Satisfaction

Agreement on any Change Order shall be a full compromise and settlement of all adjustments to Contract Time and Contract Sum, and compensation for any and all delay, extended or additional field and home office overhead, disruption, acceleration, inefficiencies, lost labor or equipment productivity, differing Site conditions, construction interferences and other extraordinary or consequential damages (hereinafter called "Impacts"), including any ripple or cumulative effects of

said Impacts on the overall Work under the Contract arising directly or indirectly from the performance of Work described in the Change Order. By execution of any Change Order, Contractor agrees that the Change Order constitutes a complete accord and satisfaction with respect to all claims for schedule extension, Impacts, or any costs of whatever nature, character or kind arising out of or incidental to the Change Order. No action, conduct, omission, product failure or course of dealing by the City shall act to waive, modify, change, or alter the requirement that (i) Change Order's must be in writing, signed by the City and Contractor and; (ii) that such written Change Orders are the exclusive method for effectuating any change to the Contract Sum and/or Contract Time.

6.05 CONSTRUCTION CHANGE DIRECTIVE (FIELD DIRECTIVE)

- A. A Construction Change Directive shall be used in the absence of total agreement on the terms of a Change Order. The City may by Construction Change Directive, without invalidating the Contract, order changes in the Work within the general scope of the Contract consisting of additions, deletion, or other revisions, the Contract Sum and Contract Time being adjusted accordingly.
- B. If the Construction Change Directive provides for an adjustment to the Contract Sum, the adjustment shall be calculated in accordance with Paragraph 6.06 herein (Pricing Changes in the Work).
- C. Upon receipt of the Construction Change Directive, the Contractor shall promptly proceed with the change in the Work involved and advise the City of the Contractor's agreement or disagreement with the method, if any, provided in the Construction Change Directive, for determining the proposed adjustment in the Contract Sum or Contract Time.
- D. If Contractor believes a Construction Change Directive constitutes a basis for adjustment to the Contract Sum or Contract Time, then Contractor shall give a Notice of Scope Change provided in Paragraph 6.03, followed by a submission of a Change Order Request as required by Paragraph 6.08. Contractor shall, if requested by City in such Construction Change Directive or in a subsequent Construction Change Directive, proceed with the performance of the Work as described in the Construction Change Directive. Failure of Contractor to proceed with the performance of Work, as described in the Construction Change Directive shall give the City the right to carry out the Work, as set forth in Paragraph 2.05.
- E. A Construction Change Directive signed by the Contractor indicates the Contractor's agreement therewith, including adjustment in Contract Sum and Contract Time or the method for determining them. Such agreement shall be effective immediately and shall be recorded as a Change Order.
- F. If the Contractor does not respond promptly or disagrees with the method for adjustment in the Contract Sum, the method and the adjustment shall be determined by the City on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including, in the case of an increase in the Contract Sum, Allowable Mark-Ups in accordance with Paragraph 6.06(E) herein.

6.06 PRICING CHANGES IN THE WORK

- A. Alternative Methods of Pricing

The amount of any adjustment by Change Order or Construction Change Directive increasing or decreasing the Contract Sum shall be determined by the Director using one or a combination of the following methods:

1. Lump Sum. By mutual acceptance of a lump sum proposal from Contractor properly **itemized** and supported by sufficient substantiating data to permit evaluation. Such proposal shall be based solely on Allowable Costs, as defined in Subparagraph 6.06-C, and Allowable Mark-Ups, as defined in Subparagraph 6.06-E, and shall not include any costs or expense that is not permitted by the terms of any provision of the Contract Documents.
2. Unit Prices. By unit prices contained in Contractor's original Bid and incorporated in the Contract Documents or fixed by subsequent agreement between City and Contractor. Unless otherwise stated in the Bidding Documents, unit prices stated in the Contract Documents or agreed upon by the County and Contractor shall be deemed to include and encompass all Allowable Markups.
3. Time and Materials. By calculating the actual Allowable Costs directly incurred, plus a sum for Allowable Mark-Ups on such Allowable Costs.
4. Deletion of Work. By Unit Prices contained in Contractor's original Bid and incorporated in the Contract Documents, or by using the Schedule of Values to determine the value of the decrease of the Contract Sum, less the value of any Work performed, plus a reasonable percentage of the decrease for the Contractor's saved overhead unless the Schedule of Values allocates general conditions costs to individual line items, in which case no percentage of the decrease shall be added. When a change consists of both addition and deletion of Work, the added costs and deleted costs shall be calculated separately, and then added together, resulting in the net cost for the change. The Allowable Mark-Up shall be applied to this net cost.

B. Contractor Maintenance of Daily Records for Changes

1. In the event that Contractor is directed to perform any Extra Work, or should Contractor encounter conditions which the Contractor believes would obligate the City to adjust the Contract Sum and/or the Contract Time, Contractor shall maintain detailed records of the cost of such changes on a daily basis summarized in a daily report supplemented by back-up records. Such records shall include without limitation:
 - a. Labor. At the close of each day on which such Extra Work is performed, Contractor shall submit an Extra Work labor report, on forms provided by Director, to Director that sets forth a list of the actual hours spent in performing the Extra Work, that clearly differentiates between the labor expended on the Extra Work and other Work, and the Allowable Costs for such Extra Work performed that day showing the names of workers, their classifications, hours worked and hourly rates.
 - b. Materials, Equipment. A list of Allowable Costs of materials and equipment consumed in the performance of the Extra Work on the day on which such Extra Work is performed, together with copies of applicable delivery tickets and unit prices for all materials and for all equipment used the type of equipment, identification number, hours of operation (including loading and transportation) and hourly/daily rates involved for that day.
 - c. Other Services or Expenditures. A list of other services and expenditures constituting Allowable Costs incurred in performance of the Extra Work on the day on which such Extra Work is performed, along with documentation verifying the amounts thereof in such detail as Director may require.
2. In the event that more than one change to the Work is performed by the Contractor in a calendar day, Contractor shall maintain separate records of labor, construction equipment, materials, and

equipment for each such change. In the event that any Subcontractor of any tier shall provide or perform any portion of any change to the Work, Contractor shall require that each such Subcontractor maintain records in accordance with this Section.

3. Each daily record maintained hereunder shall be signed by Contractor; such signature shall be deemed Contractor's representation and warranty that all information contained therein is true, accurate, complete, and relates only to the change referenced therein. All records maintained by Subcontractors of any tier, relating to the costs of a change in the Work shall be signed by such Subcontractor's authorized project manager or superintendent.

All such records shall be forwarded to the Director on the day the Work is performed (same day) for independent verification. The Director shall attempt to review and reconcile costs for changes on a daily basis. Records not available on the day on which the Extra Work is performed, such as, but not limited to, material invoices, shall be submitted as soon as they are available but not later than five (5) calendar days after the earlier of the day of delivery or incorporation of the particular item of Extra Work at the Site.

4. The Director may additionally require authentication of all time and material tickets and invoices by persons designated by the Director for such purpose. In the event that Contractor shall fail or refuse, for any reason, to maintain or make available for inspection, review, and/or reproduction such records, adjustments to the Contract Sum or Contract Time, if any, on account of any change to the Work may be deemed waived for that day. Contractor's obligation to maintain back-up records hereunder is in addition to, and not in lieu of, any other Contractor obligation under the Contract Documents with respect to changes to the Work.
5. Waiver by Contractor. Failure to submit such records as are required by this Paragraph daily shall waive any rights for recovery of Allowable Costs incurred for Extra Work performed that day. The failure of the Contractor to secure any required authentication shall, if the City elects in its sole discretion to treat it as such, constitute a waiver by the Contractor of any right to adjustment of the Contract Sum for the Allowable Cost of all or that portion of the Extra Work covered by such non-authenticated ticket or invoice.

C. Allowable Costs

The term "Allowable Costs" shall mean in the case of Extra Work actual costs incurred by Contractor and/or any Subcontractor, regardless of tier, and necessarily involved in direct performance of the Extra Work, or in the case of deleted work the actual costs that would have been incurred in performing deleted work by Contractor and/or any Subcontractor, regardless of tier, and shall be limited to the following costs:

1. Labor. Straight-time wages or salaries, and overtime wages and salaries specifically authorized by City in writing, for employees employed at the site, or at fabrication sites off the site, in the direct performance of the Extra Work or that would have been incurred in the direct performance of the deleted work, based on the actual cost for wages prevailing locally for each craft or type of workers at the time the Extra Work is done or the deleted work is ordered eliminated. Labor costs for equipment operators and helpers shall be reported only when such costs are not included in the invoice for equipment rental. The use of labor classification which would increase the Allowable Cost for Extra Work will not be permitted unless Contractor establishes the necessity for such additional costs.
2. Benefits. Payroll taxes, insurance, health and welfare, pension, vacation, apprenticeship funds and benefits required by lawful collective bargaining agreements for employees on straight-time

wages or salaries, and on overtime wages and salaries specifically authorized by City in writing, for employees employed at the site, or at fabrication sites off the site, in the direct performance of the Extra Work or that would have been incurred in the direct performance of the deleted work.

3. Materials, Consumables. Costs of materials and consumable items which are furnished and incorporated into the Work, as approved by City, or that would have been incorporated into the Work in the case of deleted work shall be at the lowest price available to Contractor but in no event shall such costs exceed competitive wholesale prices obtainable from other Subcontractors, suppliers, manufacturers and distributors in the general vicinity of the site. If City determines, in its discretion, that the cost of materials is excessive, or if Contractor fails to furnish satisfactory evidence of the cost from the actual supplier thereof, then in either case the cost of the materials shall be deemed to be the lowest wholesale price at which similar materials are available in the quantities required at the time they were needed. The City reserves the right to furnish such materials as it deems advisable, and Contractor shall have no claim for costs or profits on materials so furnished. Material invoices must be included with the extra work report to obtain payment.
4. Taxes. Sales taxes on the costs of materials and consumable items described in Paragraph 5.04-C.3 above.
5. Tool, Equipment Rental. Rental charges for necessary machinery and equipment, whether owned or hired, as authorized in writing by City, exclusive of hand tools, used directly in the performance of the Extra Work or that would have been used in the direct performance of the deleted work. Regardless of ownership, such rental charges shall not exceed the hourly rate derived from the most recently published "Rental Rate Blue Book for Construction Equipment" or the "Rental Rate Blue Book for Older Construction Equipment," as published by K-111, San Jose, California, which is in effect at the time of commencement of the changed work. The Contractor shall attach a copy of the rate schedule to the daily reports required by Paragraph 6.06-B, above. The charges for any machinery and equipment shall cease when the use thereof is no longer necessary for the Extra Work or deleted work. No charge shall be allowed for use of equipment or tools which have a replacement value of \$500 or less. The allowable rental rates shall include the cost of fuel, power oil, lubrication, supplies, small tools, necessary attachments, loading, transportation, repairs and maintenance of any kind, depreciation, storage, insurance, and all incidentals. Notwithstanding the provisions of Paragraph 6.06-E below, no mark-up shall be allowed for overhead, profit or bond premiums for use of equipment if the equipment is supplied by an equipment rental firm. If equipment is used intermittently and, when not in use, could be returned to its rental source at less expense to City than holding it at the Site, it shall be returned, unless Contractor elects to keep it at the Site at no expense to City. Costs incurred while equipment is inoperative due to breakdowns, regular maintenance, or for non-Working Days shall not be allowed. The rental time shall include the time required to move the equipment to the Work from the nearest available source for rental of such equipment and to return it to the source. If such equipment is not moved by its own power, then loading and transportation will be allowed. Neither moving time nor loading and transportation costs will be paid if the equipment is for use on the Project unrelated to the Extra Work. All equipment shall be acceptable to City, in good working condition, and suitable for the purpose for which it is to be used.
6. Royalties. Additional or saved costs of royalties due to the performance of the Extra Work or deleted work.

7. Insurance, Bonds. Additional or saved costs of insurance and bonds, provided, however, that for Extra Work such costs shall not exceed one percent (1%) of Items 1 through 6 above.

D. Costs Not Allowed

Allowable Costs shall not include any of the following:

1. Wages, salaries, fringe benefits and payroll taxes of Contractor's and all Subcontractor's non-craft labor (above a Foreman level);
2. Overhead (including home office overhead), administrative or general expenses of any kind including engineering, estimating, scheduling, drafting, detailing, etc., incurred in connection with Extra Work;
3. Vehicles not dedicated solely for the performance of the extra of deleted work;
4. Small tools (replacement value not exceeding \$500);
5. Office expenses, including secretarial and administrative staff, materials and supplies;
6. On-site and off-site trailer and storage rental and expenses;
7. Site fencing;
8. Utilities, including gas, electric, sewer, water, telephone, telefax, copier equipment;
9. Computer and data processing personnel, equipment and software;
10. Federal, state or local business income and franchise taxes;
11. Losses of efficiency or productivity; and
12. Costs and expenses of any kind or item not specifically and expressly included in Paragraph 6.06-C.

E. Allowable Mark-Up

1. If the Net Cost of Extra Work is less than or equal to \$25,000, the Allowable Mark-Up shall be computed as follows:
 - (a) For Extra Work performed directly by the Contractor's forces, the added cost for all expenses of overhead, profit, bond and insurance ("Allowable Mark-Up") shall not exceed fifteen percent (15%) of the net cost of the Extra Work.
 - (b) For Extra Work performed by a Subcontractor, the added cost of combined expenses, Allowable Mark-Up for Contractor and all Subcontractor(s) shall not exceed twenty (20%) of the net cost of all Subcontractor(s)'s Extra Work.
2. If the net cost of Extra Work is greater than \$25,000 and less than or equal to \$100,000, the Allowable Mark-up shall be computed as follows:
 - (a) For Extra Work performed directly by the Contractor's forces the added cost for Allowable Mark-Up shall not exceed twelve (12%) of the net cost of the Extra Work.

- (b) For Extra Work performed by a Subcontractor, the added cost of combined expenses for Allowable Mark-Up for Contractor and all Subcontractor(s) shall not exceed seventeen (17%) of the net cost of all Subcontractor(s)'s Extra Work.
- 3. If the net cost of Extra Work is greater than \$100,000, the Allowable Mark-up shall be computed as follows:
 - (a) For Extra Work performed directly by the Contractor's forces the added cost for Allowable Mark-Up shall not exceed ten percent (10%) of the net cost of the Extra Work.
 - (b) For Extra Work performed by a Subcontractor, the added cost of combined expenses for Allowable Mark-Up for Contractor and all Subcontractor(s) shall not exceed fifteen (15%) of the net cost of all Subcontractor(s)'s Extra Work.

F. Net Allowable Costs

If anyone scope change involves both Extra Work and deleted work in the same portion of the Work and the additive allowable costs exceed the deductive allowable costs, the Allowable Markups on the Extra Work will be only the difference between the two amounts.

6.07 CITY ORIGINATED REQUEST FOR ITEMIZED CHANGE ORDER PROPOSAL REQUEST

City may issue a Construction Change Directive or other written request to Contractor describing a proposed change to the Work and requesting the Contractor submit an itemized change order proposal in a format acceptable to City within ten (10) calendar days after City issues the request. The Contractor's change order proposal shall include an analysis of impacts to cost and time, if any, to perform additional work, change Work or delete Work, as applicable, including the effects and impacts, if any, on unchanged Work, estimates of costs (broken down by the cost categories listed in this Paragraph), and Contractor's proposed methods to minimize costs, delay, and disruption to the performance of the Work. If Contractor fails to submit a written change order proposal within such period of time, it shall be presumed that the change described in the City's original proposal request will not result in an increase to the Contract Sum or Contract Time and the change shall be performed by Contractor without additional compensation to Contractor. City's request for itemized change order proposal request does not authorize the Contractor to commence performance of the change. If City desires that the proposed change be performed, the Work shall be authorized according to the Change Order or Construction Change Directive procedures set forth herein.

6.08 CONTRACTOR ORIGINATED CHANGE ORDER REQUEST (COR)

If the Contractor believes that instructions issued by the City after the effective date of the Contract will result in changes to the Contract Sum or Contract Time or if the Contractor otherwise becomes aware of the need for or desirability of a change in the Work, Contractor may submit a written Change Order Request ("COR") to the City in writing, in a format acceptable to City and in accordance with the notice provisions and other requirements of Article 7 below for Claims. The COR must specify the reasons for the proposed change, cost impacts and relevant circumstances and impacts on the Construction Schedule. The document shall be complete in its description of the Work, its material and labor quantities and detail, and must support and justify the costs and credits claimed by the Contractor. A Critical Path Method schedule Fragnet is required to support and justify any additional time of performance requested by the Contractor. The City will not review any COR which is incomplete. The Contractor may request additional compensation and/or time through a COR but not for instances that occurred more than ten (10) calendar days prior to the notice date. Contractor's failure to initiate a COR within this ten-day period or to provide detailed back-up documentation to substantiate the COR within thirty (30) calendar days of the initial written notice shall be deemed a waiver of the right to adjustment of the Contract Sum or the Contract Time for the alleged change. Any COR that is approved by the City shall be incorporated in a Change Order or Construction Change Directive. If the COR

is denied but the Contractor believes that it does have merit, the Contractor shall proceed with the disputed Work and may submit a Claim in accordance with the procedures set forth herein.

6.09 ISSUANCE OF WORK DIRECTIVE (UNILATERAL).

In the event of a dispute as to whether or not Extra Work is required, City shall have the right to unilaterally issue a Work Directive; Contractor shall continue performance of disputed Work pending resolution and shall maintain and submit to City all accounting and cost data necessary to substantiate Contractor's cost of such disputed Work.

[END OF ARTICLE]

ARTICLE 7 - CONTRACT PAYMENTS AND CLAIMS

7.01 GENERAL

- A. Payment will be made at the price for each item listed on the bidding form or as Extra Work as provided in the General Conditions.
- B. Initial progress payment will not be made prior to approval by the Director of the Schedule of Values, the Construction Progress Schedule, and the Schedule of Submittals.
- C. No subsequent progress payment will be made prior to receipt by the Director of the monthly revision of the Construction Progress Schedule.

7.02 SCHEDULE OF VALUES FOR PAYMENTS

A. Submission

Upon City's request, the three (3) lowest bidders shall complete and submit a Preliminary Schedule of Values, within seven (7) calendar days.

In addition, Contractor shall complete and furnish within seven (7) calendar days after receiving the Notice of Award of the Construction Contract a Final Schedule of Values giving a complete breakdown of the Contract Sum for each component of the Work.

B. Content

The Schedule of Values shall be in sufficient detail as the Director may, in its discretion, deem necessary to evaluate progress at any point in the performance of the Work. Unless otherwise specified in the Contract Documents, the Schedule of Values shall include, without limitation, a breakdown of the general categories of Subcontractor work, direct overhead, profit and contingency, and a further breakdown of the general categories of Subcontractor work into separate trade line items of costs for Subcontractor services, labor and material, which is based on actual Subcontractor contract, subcontract, purchase order or vendor prices. If requested by Director, Contractor shall revise the Schedule of Values to allocate sums for Contractor overhead, profit and/or contingency among the individual line items for trade portions of the Work. No amounts shall be reflected in the Schedule of Values or Application for Payment for Extra Work or Deleted Work for which a Change Order has not been executed by Contractor and City or for which a Construction Change Directive has not been issued by City. Amounts that have been mutually agreed to by Change Order or unilaterally determined by City pursuant to a Construction Change Directive shall be segregated from the cost of the base Contract Work and separately listed by line item in the Schedule of Values. The Schedule of Values must be prepared in sufficient detail and supported by sufficient data to substantiate its accuracy as the Director may require.

C. Applications for Payment

The Schedule of Values, when approved by the Director, shall be used as a basis for Contractor's Applications for Payment and may be considered as fixing a basis for adjustments to the Contract Sum.

D. Revisions

If, at any time, it is determined that the Schedule of Values does not allocate the Contract Sum in a

manner that reasonably and fairly reflects the actual costs anticipated to be progressively incurred by Contractor, it shall be revised and resubmitted for the Director's approval.

7.03 APPLICATIONS FOR PAYMENT

A. Marked Schedule of Values

Five (5) Days prior to the date set forth in Paragraph 7.03-B below for the monthly progress payment meeting, Contractor shall submit to Director a copy of the proposed Schedule of Values, marked to show the percentage of completion certified by Contractor for each line item in the Schedule of Values, including any stored materials approved for payment by City pursuant to Paragraph 7.03-D, below and any withholdings from Contractor proposed by Director.

B. Monthly Review

For the purpose of expediting the progress payment procedure, Contractor shall meet with the Director on or before the twentieth (20th) day of each month to review the Contractor's marked Schedule of Values prepared in accordance with Paragraph 7.03-A, above. The Director shall revise as appropriate and sign the marked Schedule of Values to verify such review. If any item in the marked Schedule of Values submitted for payment is disputed during this review, Contractor agrees to use its best efforts to resolve the disputed items with the Director before submitting its Application for Payment. If the Director and Contractor cannot agree, then the percentage completion shall be established at such percentage as the Director, in good faith, determines is appropriate to the actual progress of the Work. No inaccuracy or error in the Director's good faith estimate shall operate to release Contractor or Surety from any responsibility or liability arising from or related to performance of the Work. The Director shall have the right subsequently to correct any error and dispute any item submitted in Contractor's Application for Payment, regardless of whether an item was identified as disputed in the review process provided for herein.

C. Certification

Each Application for Payment shall be signed and certified by Contractor under penalty of perjury to City that:

1. the data comprising the Application for Payment is accurate and the Work has progressed to the point indicated;
2. to the best of Contractor's knowledge, information and belief, the Work is in accordance with the Contract Documents;
3. Contractor is entitled to payment in the amount certified; and
4. all sums previously applied for by Contractor on account of Work performed by Subcontractors and that have been paid by City have been paid to the Subcontractors performing such Work, without any retention, withholding or backcharge by Contractor.

D. Stored Materials

Payments may be made by City, at its discretion, on account of materials or equipment not incorporated into the Work but delivered on the ground at the Site and suitably stored by Contractor or stored off-Site under the control of City. Such payments shall only be considered upon submission by Contractor of satisfactory evidence that it has acquired title to same, that the material or equipment will be utilized in the Work and that the material is satisfactorily stored, protected and insured, and

that such other procedures are in place satisfactory to City to protect City's interests. To be considered for payment, materials or equipment stored off-Site shall, in addition to the above requirements and unless otherwise specifically approved by City in writing, be stored in a bonded warehouse, fully insured, and available to City for inspection. City shall have sole discretion to determine the amount of material and equipment that may be stored on the Site at any given time.

7.04 PROGRESS PAYMENTS

A. Conditions to Progress Payments

Contractor shall submit its Application for Payment to the Director, using such forms as required by City, once a month on or before the first (1st) Day of the month following the month in which the Work that is the subject of such Application for Payment was performed. Without limitation to any other provisions of the Contract Documents, the following shall be conditions precedent to a proper submission and to the Director approval of each Application for Payment:

1. submission of a Schedule of Values that reflects the percentages of completion either agreed to or determined by Director in accordance with Paragraph 7.03-B, above;
2. submission of the Contractor's certification required by Paragraph 7.03-C, above;
3. submission of conditional releases of stop notice, if any, and bond rights upon progress payment, complying with California Civil Code Section 8132, for all Work performed during the time period covered by the current Application for Payment, signed by Contractor, its Subcontractors of every tier, and all material suppliers to each, and (2) forms of unconditional release of stop notice and bond rights upon progress payment, complying with California Civil Code Section 8134 for all Work performed during the time period covered by the previous Application for Payment, signed by Contractor, its Subcontractors of every tier and all material suppliers to each;
4. compliance by Contractor with its obligation for maintenance of As-Builts as required by the Contract Documents;
5. compliance by Contractor with its obligation for submission of monthly and daily reports as required by the Contract Documents;
6. compliance by Contractor with its obligations for submission of scheduling information and updating of the Construction Schedule as required by Article 4, above and other provisions of the Contract Documents pertaining to preparation or updating of schedule information;
7. submission of certified payroll records as required by the Contract Documents;
8. submission of certifications by Contractor and each Subcontractor as required by applicable collective bargaining agreements certifying that all employee benefit contributions due and owing pursuant to any applicable collective bargaining agreement have been paid in full; and
9. compliance by Contractor with all of its other obligations for submission of documentation or performance of conditions which, by the terms of the Contract Documents, constitute conditions to Contractor's right to receive payment for Work performed.

B. Payments by City

Pursuant to California Public Contract Code Section 20104.50, City shall make progress payment of

undisputed sums due within thirty (30) Days after receipt by Director of an undisputed and properly submitted Application for Payment, calculated on the basis of ninety-five percent (95%) of value determined pursuant to Paragraph 7.03-B above of the following:

1. the portion of the Work permanently installed and in place;
2. plus, the value of materials delivered on the ground or in storage as approved by City pursuant to Paragraph 7.03-D, above,
3. less, the aggregate of previous payments, and
4. less, any other withholdings authorized by the Contract Documents.

C. Rejection by City

Any Application for Payment determined not to be undisputed, proper and suitable for payment shall be returned to Contractor as soon as practicable, but not later than seven (7) Days, after receipt by City accompanied by an written explanation of the reasons why the payment request was rejected. Failure by City or Director to either timely reject an Application for Payment or specify any grounds for rejection shall not constitute a waiver of any rights by City. Applications for Payment that are rejected shall be corrected and resubmitted within seven (7) Days after receipt by Contractor.

D. Interest

If City fails to make a progress payment to Contractor as required by Paragraph 7.04-B, above, City shall pay interest to Contractor equivalent to the legal rate set forth in subdivision (a) of California Code of Civil Procedure Section 685.010. The number of Days available to City to make payment pursuant to Paragraph 7.04-B, above without incurring interest pursuant to this Paragraph shall be reduced by the number of Days by which City exceeds the seven (7) Day return requirement applicable to City as set forth in Paragraph 7.04-C, above.

7.05 FINAL PAYMENT

A. Retention

In addition to withholdings permitted by Paragraph 7.09 below, a sum equal to five percent (5%) of all sums otherwise due to Contractor as progress payments shall be withheld by city pursuant to Paragraph 7.04-B from each progress payment ("Retention") and retained until such time as it is due as described herein. A higher Retention amount may be approved by the City Council where project is deemed "substantially complex" by City Council.

B. Conditions to Final Payment

Contractor shall submit its Application for Final Payment, using such forms as required by Director, prior to requesting a final inspection of the Work in accordance with Paragraph 3.06 above. Such Application for Final Payment shall be accompanied by all the following:

1. an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Project for which City or City's property or funds might be liable have been paid or otherwise satisfied;
2. Contractor's certification as required by Paragraph 7.03-C, above;

3. consent of surety, if any, to Final Payment;
4. a certificate evidencing that the insurance required by the Contract Documents is in force;
5. Conditional Waiver and Release Upon Final Payment in the form required by California Civil Code Section 8136 executed by Contractor, all Subcontractors of every tier and by all material suppliers of each, covering the final payment period;
6. Unconditional Waiver and Release Upon Progress Payment in the form required by California Civil Code Section 8136 executed by Contractor, all Subcontractors of every tier and by all material suppliers of each, covering the previous payment period;
7. all Record Documents (including, without limitation, complete and accurate As-Built drawings which shall be kept up to date during the performance of the Work);
8. documentation that Contractor has inspected, tested, and adjusted performance of every system or facility of the Work to ensure that overall performance is in compliance with the terms of the Contract Documents;
9. four (4) copies of all warranties from vendors and Subcontractors, operation and maintenance manuals, instructions and related agreements, and equipment certifications and similar documents;
10. certifications by Contractor and each Subcontractor as required by applicable collective bargaining agreements that all employee benefit contributions due and owing pursuant to any applicable collective bargaining agreement have been paid in full;
11. releases of rights and claims relating to patents and trademarks, as required by the Contract Documents; and
12. any other documents or information required by the Contract Documents as a condition of Final Payment or Final Completion.

C. Final Payment

Pursuant to the Public Contract Code Section 7107, within sixty (60) Days after City issues the Notice of Completion to Contractor, the Final Payment, including Retention, shall be released to Contractor, subject to the City's right to withhold 150% of any disputed amounts.

D. Disputed Amounts

Pursuant to California Public Contract Code 7107, City may deduct and withhold from the Final Payment due under Paragraph 7.05-C, above, an amount up to 150% of any disputed amounts, including, without limitation, amounts to protect City against any loss caused or threatened as a result of Contractor's failing to fully perform all of those obligations that are required to be fulfilled by Contractor as a condition to Final Completion and Final Payment. Alternatively, City may elect, in its sole discretion, to accept the Work without correction or completion and adjust the Contract Sum pursuant to the Contract Documents.

E. Acceptance of Final Payment

Acceptance of Final Payment by Contractor shall constitute a waiver of all rights by Contractor against City for recovery of any loss, excepting only those Claims that have been submitted by

Contractor in the manner required by the Contract Documents prior to or at the time of the Final Payment.

7.06 MISCELLANEOUS

A. Joint Payment

City shall have the right, if deemed necessary in its sole discretion, to issue joint checks made payable to Contractor and any Subcontractor(s) of any Tier. The joint check payees shall be solely responsible for the allocation and disbursement of funds included as part of any such joint payment. Endorsement on such check by a payee shall be conclusively presumed to constitute receipt of payment by such payee. In no event shall any joint check payment be construed to create any contract between City and a Subcontractor of any Tier, any obligation from City to such Subcontractor or any third party rights against City or Director.

B. Withholding/Duty to Proceed

The payment, withholding or retention of all or any portion of any payment claimed to be due and owing to Contractor shall not operate in any way to relieve Contractor from its obligations under the Contract Documents. Contractor shall continue diligently to prosecute the Work without reference to the payment, withholding or retention of any payment. The partial payment, withholding or retention by City in good faith of any disputed portion of a payment, whether ultimately determined to be correctly or incorrectly asserted, shall not constitute a breach by City of the Construction Contract and shall not be grounds for an adjustment of the Contract Sum or Contract Time.

C. No Acceptance

No payment by City or partial or entire use of the Work by City shall be construed as approval or acceptance of the Work, or any portion thereof.

D. Contractor Payment Warranty

Submission of an Application for Payment shall constitute a representation and warranty by Contractor that:

1. Title to Work covered by an Application for Payment will pass to City either by incorporation into the construction or upon receipt of payment by Contractor, whichever occurs first; and
2. Work covered by previous Applications for Payment are free and clear of liens, stop notices, claims, security interests or encumbrances imposed by the Contractor or any other person.

E. Corrections

No inaccuracy or error in any Application for Payment provided by Contractor shall operate to release Contractor from the error, or from losses arising from the Work, or from any obligation imposed by the Contract Documents. City retains the right to subsequently correct any error made in any previously approved Application for Payment, or progress payment issued, by adjustments to subsequent payments.

7.07 PAYMENTS BY CONTRACTOR

Contractor shall not include in its Applications for Payment sums on account of any Subcontractor's portion of the Work that it does not intend to pay to such Subcontractor. Upon receipt of payment from City, Contractor

shall pay the Subcontractor performing Work on the Project, out of the amount paid to Contractor on account of such Subcontractor's portion of the Work, the amount to which said Subcontractor is entitled in accordance with the terms of its contract with Contractor and applicable laws, including, without limitation, California Public Contract Code Section 7107. Contractor shall remain responsible notwithstanding a withholding by City pursuant to the terms of these Contract Documents, to promptly satisfy from its own funds sums due to all Subcontractors who have performed Work that is included in Contractor's Application for Payment. Contractor shall, by appropriate agreement, require each Subcontractor to make payments to its subcontractors and material suppliers in similar manner. City shall have no obligation to pay or be responsible in any way for payment to a Subcontractor of any tier or material supplier.

7.08 PAYMENTS WITHHELD

A. Withholding by City

In addition to any other amounts which City may have the right to retain under the Contract Documents, City may withhold a sufficient amount of any payment otherwise due to Contractor as City, in its sole discretion, may deem necessary to cover actual or threatened loss due to any of the following:

1. Third Party Claims. Third-party claims or stop notices filed or reasonable evidence indicating probable filing of such claims or stop notices. City shall promptly inform Contractor of any third party claims related to this Contract;
2. Defective Work. Defective Work not remedied;
3. Nonpayment. Failure of Contractor to make proper payments to its Subcontractors for services, labor, materials or equipment;
4. Inability to Complete. Reasonable doubt that the Work can be completed for the then unpaid balance of the Contract Sum or within the Contract Time;
5. Violation of Applicable Laws. Failure of Contractor or its Subcontractors to comply with applicable laws or lawful orders of governmental authorities;
6. Penalty. Any claim or penalty asserted against City by virtue of Contractor's failure to comply with applicable laws or lawful orders of governmental authorities (including, without limitation labor laws);
7. Failure to Meet Contract Time. Any damages which may accrue as a result of Contractor failing to meet the Construction Schedule or failing to perform within the Contract Time;
8. Setoff. Any reason specified elsewhere in the Contract Documents as grounds for a withholding offset or set off or that would legally entitle City to a set-off or recoupment;
9. Consultant Services. Additional professional, consultant or inspection services required due to Contractor's failure to comply with the Contract Documents;
10. Liquidated Damages. Liquidated damages assessed against Contractor;
11. Materials. Materials ordered by City pursuant to the Contract Documents;
12. Damages. Loss caused by Contractor or Subcontractor to City, Separate Contractors or any other person or entity under contract to City;

13. Clean Up. Clean up performed by City and chargeable to Contractor pursuant to the Contract Documents;
14. Employee Benefits. Failure of Contractor to pay contributions due and owing to employee benefits funds pursuant to any applicable collective bargaining agreement or trust agreement;
15. Required Documents. Failure of Contractor to submit on a timely basis, proper and sufficient documentation required by the Contract Documents, including, without limitation, Construction Schedule updates, 'look ahead' schedules, Submittals, Schedules of Values, information on Subcontractors, Change Orders, certifications and other required reports or documentation; and
16. Other Breach. A breach of any obligation or provision of the Contract Documents.

B. Release of Withholding

If and when City determines, in its sole discretion, that the above grounds for withholding have been removed and that all losses incurred or threatened have been paid, credited or otherwise satisfied, then payment shall be made for amounts withheld because of them.

C. Application of Withholding

City may apply sums withheld pursuant to Paragraph 7.08-A above, in payment of any loss or threatened loss as City determines, in its sole discretion, to be appropriate. Such payments may be made without a prior judicial determination of City's actual rights with respect to such loss. Contractor agrees and hereby designates City as its agent for such purposes, and agrees that such payments shall be considered as payments made under Construction Contract by City to Contractor. City shall not be liable to Contractor for such payments made in good faith. City shall submit to Contractor an accounting of such funds disbursed on behalf of Contractor. As an alternative to such payment, city may, in its sole discretion, elect to exercise its right to adjust the Contract Sum as provided in the Contract Documents.

D. Continuous Performance

Provided City pays the undisputed portion, if any, of funds withheld in good faith, Contractor shall maintain continuous and uninterrupted performance of the Work during the pendency of any disputes or disagreements with City.

7.09 SUBSTITUTION OF SECURITIES

A. Public Contract Code

Pursuant to the requirements of California Public Contract Code Section 22300, upon Contractor's request, City will make payment to Contractor of any funds withheld from payments to ensure performance under the Contract Documents if Contractor deposits with City, or in escrow with a California or federally chartered bank in California acceptable to City ("Escrow Agent"), securities eligible for the investment of State Funds under Government Code Section 16430, or bank or savings and loan certificates of deposit, interest-bearing demand deposit accounts, standby letters of credit, or any other security mutually agreed to by the Contractor and the City, upon the following conditions:

1. Contractor shall be the beneficial owner or any securities substituted for monies withheld for the purpose of receiving any interest thereon.

2. All expenses relating to the substitution of securities under Public Contract Code Section 22300 and under this Paragraph 7.04, including, but not limited to City's overhead and administrative expenses, and expenses of Escrow Agent shall be the responsibility of Contractor.
3. Securities or certificates of deposit substituted for monies withheld shall be of a value of at least equivalent to the amounts of retention to be paid to Contractor pursuant to the Contract Documents.
4. If Contractor chooses to deposit securities in lieu of monies withheld with an Escrow Agent, Contractor, City and Escrow Agent shall, as a prerequisite to such deposit, enter into an escrow agreement, using the City's form, "Escrow Agreement for Deposit of Securities in Lieu of Retention."
5. Contractor shall obtain the written consent of Surety to such agreement.
6. Securities, if any, shall be returned to Contractor only upon satisfactory Final Completion of the Work.

B. Substitute Security

To minimize the expense caused by such substitution of securities, Contractor shall, prior to or at the time Contractor requests to substitute security, deposit sufficient security to cover the entire amount to be withheld. Should the current market value of such substituted security fall below the amount for which it was substituted, or any other amounts which the City withholds pursuant to the Contract Documents, Contractor shall immediately and at Contractor's expense and at no cost to City deposit additional security qualifying under Public Contract Code Section 22300 until the current market value of the total security deposited is no less than the amount subject to withholding under the Contract Documents. Securities shall be valued as often as conditions of the securities market warrant, but in no case less frequently than once per month.

C. Deposit of Retentions

Alternatively, subject to the conditions set forth in Paragraph 7.04-A above, upon request of Contractor, City shall make payment of retentions directly to Escrow Agent at the expense of Contractor, provided that Contractor, City and Escrow Agent shall, as a prerequisite such payment, enter into an escrow agreement in the same form as prescribed in Part 4 of Paragraph A, above. At the expense of Contractor and at no cost to City, Contractor may direct the investment of the payments into securities and interest bearing accounts, and Contractor shall receive the interest earned on the investments. Escrow Agent shall hold such direct payments by City under the same terms provided herein for securities deposited by Contractor. Upon satisfactory Final Completion of the Work, Contractor shall receive from Escrow Agent all securities, interest and payments received by Escrow Agent from City, less escrow fees and charges of the Escrow Account, according to the terms of Public Contract Code Section 22300 and the Contract Documents.

D. Time for Election of Substitution of Securities

Notwithstanding the provision of 7.04 A, B, and C above and California Public Contract Code Section 22300, the failure of Contractor to request the Substitution of eligible securities for monies to be withheld by City within ten (10) days of the award of Contract to Contractor shall be deemed to be a waiver of all such rights.

7.10 CLAIMS

A. Arising of Claim.

1. Scope Change. When Contractor has a claim for an increase in the Contract Sum or Contract Time due to a scope change which has not yet become final, a "claim" will be deemed to arise once the Director has issued a decision denying, in whole or in part, the Contractor's Change Order Request.
2. Other Claims. In the case of a Claim by Contractor that does not involve an adjustment to the Contract Sum or Contract Time due to a scope change and which has not become final, the Claim may be asserted if, and only if, Contractor gives written notice to City of intent to file the Claim within three (3) days of the date of discovery relative to such circumstances (even if Contractor has not yet been damaged or delayed). Such written notice of intent to file a Claim shall be valid if, and only if, it identifies the event or condition giving rise to the Claim, states its probable effect, if any with respect to Contractor's entitlement to an adjustment of the Contract Sum or Contract Time and complies with the requirements of Paragraph 7.11-B, below. For purposes of this Paragraph 7.11, a Claim for which such written notice is required and has been given by Contractor shall be deemed to arise on the date that such written notice is received by City.

B. Content of Claim

A Claim by Contractor must include all of the following:

1. A statement that it is a Claim and a request for a decision on the Claim;
2. A detailed description of the act, error, omission, unforeseen condition, event or other circumstance giving rise to the Claim.
3. If the Claim involves an adjustment to the Contract Sum or Contract Time due to a change in scope, a statement demonstrating that all requisite notices were provided, including, without limitation, timely written notice and a Change Order Request as required by Article 6 of these General Conditions and timely notice of delay and request for extension of time in accordance with Article 3. If the Claim does not involve an adjustment to the Contract Sum or Contract Time due to a change in scope, a statement demonstrating that a notice of intent to file the Claim was timely submitted as required by Paragraph 7.10-A.2, above;
4. A detailed justification for any remedy or relief sought by the Claim including without limitation, a detailed cost breakdown in the form required for submittal of Change Order Requests and actual job cost records demonstrating that the costs have been incurred;
5. If the Claim involves a request for adjustment of the Contract Time, written documentation demonstrating that Contractor has complied with the requirements of the Contract Documents and written substantiation (including, without limitation, a Time Impact Analysis) demonstrating that Contractor is entitled to an extension of time under the Contract Documents; and
6. A written certification signed by a managing officer of Contractor's organization, who has the authority to sign contracts and purchase orders on behalf of Contractor and who has personally investigated and confirmed the truth and accuracy of the matters set forth in such certification, in the following form:

"I hereby certify under penalty of perjury that I am a managing officer of (Contractor's name) and that I have reviewed the Claim presented herewith on Contractor's behalf and/or on behalf of (Subcontractor's name) and that, to the best of my knowledge after conducting a diligent inquiry into the facts of the Claim, the following statements are true and correct:

The facts alleged in or that form the basis for the Claim are, to the best of my knowledge following diligent inquiry, true and accurate; and,

- (a) I do not know of any facts or circumstances, not alleged in the Claim, that by reason of their not being alleged render any fact or statement alleged in the Claim materially misleading; and,
- (b) I have, with respect to any request for money or damages alleged in or that forms the basis for the Claim, reviewed the job cost records (including those maintained by Contractor and by any Subcontractor, of any tier, that is asserting all or any portion of the Claim) and confirmed with reasonable certainty that the losses or damages suffered by Contractor and/or such Subcontractor were in fact suffered in the amounts and for the reasons alleged in the Claim; and,
- (c) I have, with respect to any request for extension of time or claim of delay, disruption, hindrance or interference alleged in or that forms the basis for the Claim, reviewed the job schedules (including those maintained by Contractor and the Subcontractor, of any tier, that is asserting all or any portion of the Claim) and confirmed on an event-by-event basis that the delays or disruption suffered by Contractor and/or such Subcontractor were in fact experienced for the durations, in the manner, and with the consequent effects on the time and/or sequence of performance of the Work, as alleged in the Claim; and,
- (d) I have not received payment from City for, nor has Contractor previously released City from, any portion of the Claim."

Signature: _____ Date: _____

Name: _____

Title: _____

Company _____

C. Noncompliance

Failure to submit any of the information, documentation or certifications required by Paragraph 7.10-B, above, shall result in the Claim being returned to Contractor without any decision.

D. Submission of Claims

1. Director. Claims shall be first submitted to the City for decision by the Director.
2. Continuous Work. Notwithstanding the making of any Claim or the existence of any dispute regarding any Claim, unless otherwise directed by City, Contractor shall not delay, slow or stop performance of the Work, but shall diligently proceed with performance in accordance with the

Contract Documents and City will continue, to make undisputed payments as by the Contract Documents.

3. Time for Filing. All Claims and supporting documentation and certifications must be filed within thirty (30) days after the Claim arises. No Claims shall be filed after Final Payment.
4. Conditions Precedent. No Claim may be asserted unless Contractor has strictly complied with the requirements of this Paragraph 7.10-D, which shall be considered conditions precedent to Contractor's right to assert the Claim and to initiate the Dispute Resolution Process with respect to such Claim.

E. Response to Claims, Meet and Confer

1. Claims less than \$50,000. Claims less than \$50,000 shall be responded to by City in writing within forty-five (45) days of receipt of the Claim, unless City requests additional information or documentation of the Claim within thirty (30) days of receipt of the Claim, in which case City shall respond to the Claim within fifteen (15) days after receipt of the further information or documentation or within a period of time no greater than that taken by Contractor in producing the additional information or documentation, whichever is greater.
2. Claims \$50,000 or more. Claims \$50,000 or more shall be responded to by City in writing within (60) days of receipt of the Claim, unless City requests additional information or documentation of the Claim within thirty (30) days of receipt of the Claim, in which case City shall respond to the Claim within thirty (30) days after receipt of the further information or documentation or within a period of time no greater than that taken by Contractor in producing the additional information or documentation, whichever is greater.
3. Meet and Confer. If Contractor disputes City's response, or if City fails to respond within the prescribed time set forth in Paragraph 7.10-E.1 and 7.10-E.2, above, Contractor may so notify City, in writing, within fifteen (15) days of City's response, or within fifteen (15) days of City's response due date in the event of a failure to respond, and demand an informal conference to meet and confer for settlement of the issues in dispute. Upon such demand, City shall schedule a meet and confer conference within thirty (30) days of such demand, for discussion of settlement of the dispute.

F. Finality of Decision

If Contractor disputes the Director's decision under this Article, it shall commence the Dispute Resolution Process as set forth in Article 15 of these General Conditions by filing a Statement of Dispute within seven (7) days after receipt of the Director's response.

G. Continuing Contract Performance/Duty to Proceed with Disputed Work

Contractor shall not delay or postpone any Work pending resolution of any claims, disputes or disagreements. Pending final resolution of a claim, the Contractor shall proceed diligently with performance of the Contract and the City shall continue to make payments for undisputed Work in accordance with the Contract Documents. In the event of disputed Work, City shall have the right to unilaterally issue a Work Directive and Contractor shall continue performance pending resolution of the dispute and shall maintain the accounting and cost data to substantiate the cost of such disputed work.

[END OF ARTICLE]

ARTICLE 8 - MATERIALS AND EQUIPMENT

8.01 GENERAL

- A. The Contractor shall furnish all materials and equipment needed to complete the Work and installations required under the terms of this Contract, except those materials and equipment specified to be furnished by the City.
- B. The Contractor shall submit satisfactory evidence that the materials and equipment to be furnished and used in the work are in compliance with the Specifications. Materials and equipment incorporated in the Work and not specifically covered in the Specifications shall be the best of their kind. Unless otherwise specified, all materials and equipment incorporated in the Work under the Contract shall be new.

8.02 QUALITY AND WORKMANSHIP

All material and equipment furnished by the Contractor shall be new, high grade, and free from defects and imperfections, unless otherwise hereinafter specified. Workmanship shall be in accordance with the best standard practices. All materials and equipment must be of the specified quality and equal to approved samples, if samples have been required. All Work shall be done and completed in a thorough, workmanlike manner, notwithstanding any omission from the Specifications or Drawings, and it shall be the duty of the Contractor to call attention to apparent errors or omissions and request instructions before proceeding with the Work. The Director may, by appropriate instructions, correct errors and supply omissions, which instructions shall be binding upon the Contractor as though contained in the original Specifications or Drawings. All Work performed under the Specifications will be inspected by the Director as provided in Paragraph 8.04. All materials and equipment furnished and all Work done must be satisfactory to the Director. Work, material, or equipment not in accordance with the Specifications, in the opinion of the Director shall be made to conform thereto. Unsatisfactory materials and equipment will be rejected, and if so ordered by the Director, shall, at the Contractor's expense, be immediately removed from the vicinity of the Work.

8.03 TRADE NAMES AND "OR APPROVED EQUAL" PROVISION

Whenever in the Specifications or Drawings the name or brand of a manufactured article is used it is intended to indicate a measure of quality and utility or a standard. Except in those instances where the product is designated to match others in use on a particular improvement either completed or in the course of completion, the Contractor may substitute any other brand or manufacture of equal appearance, quality, and utility on approval of the Director, provided the use of such brand or manufacture involves no additional cost to the City.

8.04 APPROVAL OF MATERIALS

- A. The Contractor shall furnish without additional cost to the City such quantities of construction materials as may be required by the Director for test purposes. He/she shall place at the Director's disposal all available facilities for and cooperate with him in the sampling and testing of all materials and workmanship. The Contractor shall prepay all shipping charges on samples. No samples are to be submitted with the bids unless otherwise specified.
- B. Each sample submitted shall be labeled. A letter, in duplicate, submitting each shipment of samples shall be mailed to the Director by the Contractor. Both the label on the sample and the letter of transmittal shall indicate the material represented, its place of origin, the names of the producer and the Contractor, the Specifications number and title, and a reference to the applicable Drawings and Specifications paragraphs.

- C. Materials or equipment of which samples are required shall not be used on the Work until approval has been given by the Director in writing. Approval of any sample shall be only for the characteristics of the uses named in such approval and no other. No approval of a sample shall be taken in itself to change or modify any Contract requirement.
- D. Failure of any material to pass the specified tests, including life cycle maintenance data may be sufficient cause for refusal to consider under this Contract, any further sample of the same brand or make of that material.

8.05 ORDERING MATERIALS AND EQUIPMENT

One copy of each of the Contractor's purchase orders for materials and equipment forming a portion of the Work must be furnished to the Director, if requested. Each such purchase order shall contain a statement that the materials and equipment included in the order are subject to inspection by the City. Materials and equipment purchased locally will, at the City's discretion, be inspected at the point of manufacture or supply, and materials and equipment supplied from points outside the Los Angeles area will be inspected upon arrival at the job, except when other inspection requirements are provided for specific materials in other sections of the Contract Documents.

8.06 AUTHORITY OF THE DIRECTOR

- A. On all questions concerning the acceptability of materials or machinery, the classification of materials, the execution of the Work, and conflicting interests of Contractors performing related work, the decision of the Director shall be final and binding.
- B. The Director will make periodic observations of materials and completed work to observe their compliance with Drawings, Specifications, and design and planning concepts, but he/she is not responsible for the superintendence of construction processes, site conditions, operations, equipment, personnel, or the maintenance of a safe place to work or any safety in, on, or about the site of work.

8.07 INSPECTION

All materials furnished and work done under this Contract will be subject to rigid inspection. The Contractor shall furnish, without extra charge, the necessary test pieces and samples, including facilities and labor for obtaining them, as requested by the Director. The Director, or his/her authorized agent or agents, at all times shall have access to all parts of the shop and the works where such materials under his/her inspection is being manufactured or the work performed. Work or material that does not conform to the Specifications, although accepted through oversight, may be rejected at any stage of the Work. Whenever the Contractor is permitted or directed to do night work or to vary the period during which work is carried on each day, he/she shall give the Director due notice, so that inspection may be provided. Such work shall be done under regulations to be furnished in writing by the Director.

8.08 INFRINGEMENT OF PATENTS

The Contractor shall hold and save the City, its officers, agents, servants, and employees harmless from and against all and every demand or demands, of any nature or kind, for or on account of the use of any patented invention, process, equipment, article, or appliance employed in the execution of the Work or included in the materials or supplies agreed to be furnished under this Contract, and should the Contractor, his/her agents, servants, or employees, or any of them, be enjoined from furnishing or using any invention, process, equipment, article, materials, supplies or appliance supplied or required to be supplied or used under this Contract, the Contractor shall promptly substitute other inventions, processes, equipment, articles, materials, supplies, or appliances in lieu thereof, of equal efficiency, quality, finish, suitability, and market value, and satisfactory in all

respects to the Director. Or in the event that the Director elects, in lieu of such substitution, to have, supplied, and to retain and use, any such invention, process, equipment, article, materials, supplies, or appliances, as may by this Contract be required to be supplied and used, in that event the Contractor shall at his/her expense pay such royalties and secure such valid licenses as may be requisite and necessary to enable the City, its officers, agents, servants, and employees, or any of them, to use such invention, process, equipment, article, materials, supplies, or appliances without being disturbed or in way interfered with by any proceeding in law or equity on account thereof. Should the Contractor neglect or refuse promptly to make the substitution hereinbefore required, or to pay such royalties and secure such licenses as may be necessary and requisite for the purpose aforesaid, then in that event the Director shall have the right to make such substitution, or the City may pay such royalties and secure such licenses and charge the cost thereof against any money due the Contractor from the City, or recover the amount thereof from him/her and his/her surety, notwithstanding final payment under this Contract may have been made.

[END OF ARTICLE]

ARTICLE 9 – SUBMITTALS

9.01 GENERAL

- A. The Contractor shall submit samples, drawings, and data for the Director's approval which demonstrate fully that the construction, and the materials and equipment to be furnished will comply with the provisions and intent of the Drawings and Specifications.
- B. Specific items to be covered by the submittals shall include, as a minimum, the following:
 - 1. For structures, submit all shop, setting, equipment, miscellaneous iron and reinforcement drawings and schedules necessary.
 - 2. For conduits, submit a detailed layout of the conduit with details of bends and fabricated specials and furnish any other details necessary. Show location of shop and field welds.
 - 3. For equipment which requires electrical service, submit detailed information to show power supply requirements, wiring diagrams, control and protection schematics, shop test data, operation and maintenance procedures, outline drawings, and manufacturer's recommendation of the interface/interlock among the equipment.
 - 4. For mechanical equipment submit all data pertinent to the installation and maintenance of the equipment including shop drawings, manufacturer's recommended installation procedure, detailed installation drawings, test data and curves, maintenance manuals, and other details necessary.
 - 5. Samples
 - 6. Colors
 - 7. Substitutions
 - 8. Manuals
 - 9. As-built drawings
 - 10. Safety plans required by Article 10

9.02 PRODUCT HANDLING

- A. Submittals shall be accompanied by a letter of transmittal and shall be in strict accordance with the provisions of this Article.
- B. Submit priority of processing when appropriate.

9.03 SCHEDULE OF SUBMITTALS

- A. The Contractor shall prepare and submit a schedule of submittals. The schedule of submittals shall be in the form of a submittal log. Refer to Paragraph 9.12.

9.04 SHOP DRAWINGS

- A. All shop drawings shall be produced to a scale sufficiently large to show all pertinent features of the item and its method of connection to the Work.
- B. All shop drawing prints shall be made in blue or black line on white background. Reproductions of City/Contract Drawings are not acceptable.
- C. The overall dimensions of each drawing submitted to the Director shall be equal to one of the City's standard sheet sizes as listed below. The title block shall be located in the lower right hand corner of each drawing and shall be clear of all line Work, dimensions, details, and notes.

Sheet Sizes
Height X Width
11" X 8 1/2"
11" X 17"
24" X 36"
30" X 42"

9.05 COLORS

Unless the precise color and pattern are specified elsewhere, submit accurate color charts and pattern charts to the Director for his/her review and selection whenever a choice of color or pattern is available in a specified product. Label each chart naming the source, the proposed location of use on the project, and the project.

9.06 MANUFACTURERS' LITERATURE

Where contents of submitted literature from manufacturers includes data not pertinent to the submittal, clearly show which portions of the contents are being submitted for review.

9.07 SUBSTITUTIONS

- A. The Contract is based on the materials, equipment, and methods described in the Contract Documents. Any Contractor proposed substitutions are subject to the Director's approval.

The Director will consider proposals for substitution of materials, equipment, and methods only when such proposals are accompanied by full and complete technical data, and all other information, including life cycle maintenance data, required by the Director to evaluate the proposed substitution.
- B. Any requests for substitutions by the Contractor must be made within forty-five (45) calendar days from the Issuance Date on the Notice to Proceed. Otherwise, such requests will not be considered.
- C. Trade names and "or approved equal" provision as set forth in Paragraph 8.03.

9.08 MANUALS

- A. When manuals are required to be submitted covering items included in this Work, prepare and submit such manuals in approximately 8-1/2" X 11" format in durable plastic binders. In addition, manuals shall be submitted in electronic format. Manuals shall contain at least the following:
 - 1. Identification on, or readable through, the front cover stating general nature of the manual.
 - 2. Neatly typewritten index near the front of the manual, furnishing immediate information as to

location in the manual of all emergency data regarding the installation.

3. Complete instructions regarding operation and maintenance of all equipment involved.
 4. Complete nomenclature of all replaceable parts, their part numbers, current cost, and name and address of nearest vendor of parts.
 5. Copy of all guarantees and warranties issued.
 6. Copy of drawings with all data concerning changes made during construction.
- B. Where contents of manuals include manufacturers' catalog pages, clearly indicate the precise items included in this installation and delete, or otherwise clearly indicate, all manufacturers' data with which this installation is not concerned.

9.09 AS-BUILT DRAWINGS

- A. When required to be submitted covering items included in this Work, the Contractor shall deliver to the City one complete set of final As-Built hard copy drawings together with a set of AutoCAD drawing files in electronic format showing completed building, "as-built" for City records before the Contract will be accepted by the City.
- B. The drawings shall be duplicates and at the same size and dimensional scale as the originals. They shall be on a polyester translucent base material with a minimum sheet thickness of .003 inch (.08mm).
- C. The legibility and contrast of each drawing submitted to the City shall be such that every line, number, letter, and character is clearly readable in a full size blow back from a 35 mm microfilm negative of the drawing.

9.10 SUBMITTALS QUANTITIES

- A. Submit seven (7) copies of all data and drawings unless specified otherwise.
- B. Submit all samples, unless specified otherwise, in the quantity to be returned, plus two, which will be retained by the Director.

9.11 IDENTIFICATION OF SUBMITTALS

Completely identify each submittal and re-submittal by showing at least the following information:

- A. Name and address of submitter, plus name and telephone number of the individual who may be contacted for further information.
- B. Name of project as it appears in the Contract Documents and Specification No.
- C. Drawing number and Specifications section number other than this section to which the submittal applies.
- D. Whether this is an original submittal or re-submittal.
- E. For samples, indicate the source of the sample.

9.12 SCHEDULE OF SUBMITTALS

- A. Submit initial schedule of submittals within five (5) Working Days after the Issuance Date on Notice to Proceed.
- B. Submit revised schedule of submittals within five (5) Working Days after date of request from the Director.
- C. The Director will review schedule of submittals and will notify Contractor that schedule is acceptable or not acceptable within five (5) Working Days after receipt.

9.13 COORDINATION OF SUBMITTALS

- A. Prior to submittal for the Director's review, use all means necessary to fully coordinate all material, including the following procedures:
 - 1. Determine and verify all field dimensions and conditions, materials, catalog numbers, and similar data.
 - 2. Coordinate as required with all trades and with all public agencies involved.
 - 3. Secure all necessary approvals from public agencies and others and signify by stamp, or other means, that they have been secured.
 - 4. Clearly indicate all deviations from the Specifications.
- B. Unless otherwise specifically permitted by the Director, make all submittals in groups containing all associated items; the Director may reject partial submittals as not complying with the provisions of the Specifications.

9.14 TIMING FOR SUBMITTALS

- A. Make all submittals far enough in advance of scheduled dates of installation to provide all required time for reviews, for securing necessary approvals, for possible revision and re-submittal, and for placing orders and securing delivery.
- B. In scheduling, allow at least 15 Working Days for the Director's review, plus the transit time to and from the City office.
- C. Manuals shall be submitted prior to performing functional tests.

9.15 APPROVAL BY CITY

- A. Up to three (3) copies of each submittal, except manuals, schedule of costs for progress payments, and as-built drawings will be returned to the Contractor marked "No Exceptions Taken," "Make Corrections Noted - Do Not Resubmit," or "Make Corrections Noted - Resubmit." Manuals, schedule of costs, and as-built drawings will be returned for re-submittal if incomplete or unacceptable.
- B. Submittals marked "Approved as Noted" need not be resubmitted, but the notes shall be followed.
- C. If submittal is returned for correction, it will be marked to indicate what is unsatisfactory.
- D. Resubmit revised drawings or data as indicated, in five (5) copies.

- E. Approval of each submittal by the Director will be general only and shall not be construed as:
1. Permitting any departures from the Specifications requirements.
 2. Relieving the Contractor of the responsibility for any errors and omissions in details, dimensions, or of other nature that may exist.
 3. Approving departures from additional details or instructions previously furnished by the Director.

9.16 CHANGES TO APPROVED SUBMITTALS

- A. A re-submittal is required for any proposed change to an approved submittal. Changes which require re-submittal include, but are not necessarily limited to, drawing revisions, changes in materials and equipment, installation procedures and test data. All re-submittals shall include an explanation of the necessity for the change.
- B. Minor corrections to an approved submittal may be accomplished by submitting a "Corrected Copy".

[END OF ARTICLE]

ARTICLE 10 – SAFETY

10.01 PROTECTION OF PERSONS AND PROPERTY

- A. Contractor's Responsibility: Notwithstanding any other provision of the Contract Documents, the Contractor shall be solely and completely responsible for conditions of the job site, including safety of all persons and property, during performance of the Work. This requirement will apply continuously and will not be limited to normal working hours. Safety and sanitary provisions shall conform to all applicable Federal, State, County, and local laws, regulations, ordinances, standards, and codes. Where any of these are in conflict, the more stringent requirement shall be followed.
- B. Sanitary Facilities. The Contractor shall furnish and maintain sanitary facilities by the worksites for the entire construction period.
- C. Protection of the Public. The Contractor shall take such steps and precautions as his/her operations warrant to protect the public from danger, loss of life, loss of property or interruption of public services. Unforeseen conditions may arise which will require that immediate provisions be made to protect the public from danger or loss, or damage to life and property, due directly or indirectly to prosecution of work under this contract. Whenever, in the opinion of the Director, a condition exists which the Contractor has not taken sufficient precaution of public safety, protection of utilities and/or protection of adjacent structures or property, the Director will order the Contractor to provide a remedy for the condition. If the Contractor fails to act on the situation within a reasonable time period as determined by the Director, or in the event of an emergency situation, the Director may provide suitable protection by causing such work to be done and material to be furnished as, in the opinion of the Director, may seem reasonable and necessary. The cost and expense of all repairs (including labor and materials) as are deemed necessary, shall be borne by the Contractor. All expenses incurred by the City for emergency repairs will be deducted from the final payment due to the Contractor.

10.02 PROTECTION FROM HAZARDS

A. Trench Excavation

Excavation for any trench four (4) feet or more in depth shall not begin until the Contractor has received approval from the Director of the Contractor's detailed plan for worker protection from the hazards of caving ground during the excavation of such trench. Such plan shall show the details of the design of shoring, bracing, sloping or other provisions to be made for worker protection during such excavation. No such plan shall allow the use of shoring, sloping or protective system less effective than that required by the Construction Safety Orders of the Division of Occupational Safety and Health, and if such plan varies from the shoring system standards established by the Construction Safety Orders, the plan shall be prepared and signed by an engineer who is registered as a Civil or Structural Director in the State of California.

B. Confined Spaces

Contractor shall comply with all of the provisions of General Industry Safety Orders of the California Code of Regulations. Entry of a confined space shall not be allowed until the Contractor has received approval from the Director of the Contractor's program for confined space entry. Confined space means a space that (1) Is large enough and so configured that an employee can bodily enter and perform assigned Work; and (2) Has limited or restricted means for entry or exit (for example, tanks, vessels, silos, storage bins, hoppers, vaults, and pits are spaces that may have limited means of entry); and (3) Is not designed for continuous employee occupancy. Failure to submit a confined space entry program may result in actions as provided in Article 5: "Suspension or Termination of Contract."

C. Material Safety Data Sheet

Contractor shall comply with all of the provisions of General Industry Safety Orders of the California Administrative Code. The Contractor shall submit to the Director a Material Safety Data Sheet (MSDS) for each hazardous substance proposed to be used, ten (10) days prior to the delivery of such materials to the job site or use of such materials at a manufacturing plant where the Director is to perform an inspection. For materials which are to be tested in City laboratories, the MSDS shall be submitted with the sample(s). Hazardous substance is defined as any substance included in the list (Director's List) of hazardous substances prepared by the Director, California Department of Industrial Relations, pursuant to Labor Code Section 6382. Failure to submit an MSDS for any hazardous substance may result in actions as provided in Article 5, "Suspension or Termination of Contract".

10.03 DIFFERING SITE CONDITIONS

- A. Differing Site Conditions Defined. The Contractor shall promptly, and before such conditions are disturbed, notify the Director in writing of any Differing Site Conditions. Differing Site Conditions are those conditions, located at the project site or in existing improvements and not otherwise ascertainable by Contractor through the exercise of due diligence in the performance of its inspection obligations in the Contract Documents, encountered by Contractor in digging trenches or other excavations(s) that extend deeper than four feet below the surface of the ground that constitute:
1. Material that the Contractor believes may be material that is hazardous waste as defined in Section 25117 of the Health and Safety Code, which is required to be removed to a Class I, Class II, or Class III disposal site in accordance with provisions of existing law.
 2. Subsurface or latent physical conditions at the site differing materially from those indicated in these Contract Documents.
 3. Unknown physical conditions at the site, of any unusual nature, different materially from those ordinarily encountered and generally recognized as inherent in Work of the character provided for in these Contract Documents.
- B. Notice by Contractor. If the Contractor encounters conditions it believes constitute Differing Site Conditions, then notice of such conditions shall, before such conditions are disturbed, be promptly reported to the Director followed within twenty-four (24) hours by a further written notice stating a detailed description of the conditions encountered.
- C. The Director will promptly investigate the conditions and If he/she finds that such conditions do materially differ, or do involve hazardous waste, and do cause an increase or decrease in the Contractor's cost of, or time required for, performance of any part of the Work under this Contract, an equitable adjustment will be made, as determined by the Director.
- D. Change Order Request. If Contractor intends to seek an adjustment to the Contract Sum or Contract Time based upon Differing Site Conditions, it must, within ten (10) Days after the Discovery Date relative to such conditions, submit a Change Order Request setting forth a detailed cost breakdown and Time Impact Analysis, in the form required by Article 6 of these General Conditions, of the additional Allowable Costs and Excusable Delay resulting from such Differing Site Conditions.
- E. Failure to Comply. Failure by Contractor to strictly comply with the requirements of this Paragraph 10.03 concerning the timing and content of any notice of Differing Site Conditions or request for adjustment in Contract Sum or Contract Time based on Differing Site Conditions shall be deemed waiver of any right by the Contractor for an adjustment in the Contract Sum or Contract Time by reason

of such conditions.

- F. Final Completion. No claim by the Contractor for additional compensation for Differing Site Conditions shall be allowed if asserted after Final Payment.
- G. In the event of disagreement between the Contractor and the Director whether the conditions do materially differ or whether a hazardous waste is involved or whether the conditions cause an increase or decrease in the Contractor's cost of, or time required for, performance of any part of the Work, the Contractor shall not be excused from any completion date required by the Contract, but shall proceed with all Work to be performed under the Contract Documents.
- H. The Contractor shall retain all rights provided by, and shall be subject to all requirements of, this Contract which pertain to the resolution of disputes and protests.
- I. Contractor Responsibility. Except as otherwise provided in this Paragraph 10.03 for Differing Site Conditions, Contractor agrees to solely bear the risk of additional cost and Delay due to concealed or unknown conditions, surface or subsurface, at the Site or in Existing Improvements, without adjustment to the Contract Sum or Contract Time.

10.04 TRAFFIC REGULATION

- A. During the performance of the Work the Contractor shall erect and maintain necessary temporary fences, bridges, railings, lights, signals, barriers, or other safeguards as shall be appropriate under the circumstance in his/her judgment for the prevention of accidents; and he/she shall take other precautions as necessary for public safety including, but not limited to, traffic control. Traffic control shall be conducted in accordance with the latest edition of the Work Area Traffic Control ("WATCH") handbook, published by BNi Books, and as directed and approved by the City Traffic and Transportation Administrator.
- B. Contractor shall submit at least ten (10) Working Days prior to Work a detailed traffic control plan, that is approved by all agencies having jurisdiction and that conforms to all requirements of the Specifications.
- C. No changes or deviations from the approved detailed traffic control plan shall be made, except temporary changes in emergency situations, without prior approval of the City Traffic and Transportation Administrator and all agencies having jurisdiction.

Contractor shall immediately notify the Director, the City Traffic and Transportation Administrator and the agencies having jurisdiction of occurrences that necessitate modification of the approved traffic control plan.
- D. Contractor's failure to comply with this provision may result in actions as provided in Article 5: "Suspension or Termination of Contract" of these General Conditions.

10.05 TRAFFIC CONTROL DEVICES

- A. Traffic signs, flashing lights, barricades and other traffic safety devices used to control traffic shall conform to the requirements of the WATCH handbook or the manual of traffic control, whichever is more stringent, and as approved by the City Traffic and Transportation Administrator.
 - 1. Portable signals shall not be used unless permission is given in writing by the agency having jurisdiction.

2. Warning signs used for nighttime conditions shall be reflectorized or illuminated. "Reflectorized signs" shall have a reflectorized background and shall conform to the current State of California Department of Transportation specification for reflective sheeting on highway signs.
- B. If the Contractor fails to provide and install any of the signs or traffic control devices required hereby or ordered by the City staff, staff may cause such signs or traffic control devices to be placed by others, charge the costs therefore against the Contractor, and deduct the same from the next progress payment.

10.06 EXECUTION

- A. The Contractor shall provide written notification to the Police Department, Traffic Bureau (323) 587-5171, at least two (2) weeks prior to the beginning of construction at any particular location. Notification will include the specific location, project dates, what lanes of the roadway will be closed and when. Also the construction project manager's name and business phone number and the construction inspector's name and business phone number.
- B. The Contractor shall notify, by telephone, the Police Department, (323) 587-5171, at the completion of any posting of temporary no parking signs. Notification will include the times, dates and locations of the posting. When vehicles must be towed for violation of temporary no parking signs, the person who actually posted the signs, or on-view supervisor of that posting, will be present to answer pertinent questions that may be asked by the parking enforcement officer or police officer towing the vehicles.
- C. The Contractor shall notify the Vernon Fire Department, on a daily basis during the entire period that construction is in progress whenever roadways are reduced in width or blocked. Notification shall be made to the Fire Dispatch (323) 262-2111 and the Contractor shall provide the information required to identify which roadways would have accessibility problems due to his/her operations. The Contractor shall submit to Fire Department schedule of Work for their use and files.
- D. Roads subject to interference from the Work covered by this Contract shall be kept open, and the fences subject to interference shall be kept up by the Contractor until the Work is finished. Except where public roads have been approved for closure, traffic shall be permitted to pass through designated traffic lanes with as little inconvenience and delay as possible.
- E. Where alternating one-way traffic has been authorized, the maximum time that traffic will be delayed shall be posted at each end of the one-way traffic section. The maximum delay time shall be approved by the agency having jurisdiction.
- F. Contractor shall install temporary traffic markings where required to direct the flow of traffic and shall maintain the traffic markings for the duration of need. Contractor shall remove the markings by abrasive blasting when no longer required.
- G. Convenient access to driveways and buildings in the vicinity of Work shall be maintained as much as possible. Temporary approaches to, and crossing of, intersecting traffic lanes shall be provided and kept in good condition.
- H. When leaving a Work area and entering a roadway carrying public traffic, the Contractor's equipment, whether empty or loaded, shall in all cases yield to public traffic.

10.07 FLAGGING

- A. Contractor shall provide flaggers to control traffic where required by the approved traffic control plan.

1. Flaggers shall perform their duties and shall be provided with the necessary equipment in accordance with the current "Instructions to Flaggers" of the California Department of Transportation.
2. Flaggers shall be employed full time on traffic control and shall have no other duties.

10.08 PEDESTRIAN CANOPIES OR BARRICADE IMPROVEMENTS

Refer to City of Vernon for requirements for building or access road safety improvements that the Contractor shall construct during construction period. These devices or improvements, as the City deems necessary or prudent, shall be at the expense of the Contractor.

[END OF ARTICLE]

ARTICLE 11 - INDEMNITY

11.01 INDEMNITY

To the maximum extent permitted by law, the Contractor shall fully indemnify, hold harmless, protect, and defend the City, its officers, employees, agents, representatives and their successors and assigns ("Indemnitees") from and against any and all demands, liability, loss, suit, claim, action, cause of action, damage, cost, judgment, settlement, decree, arbitration award, stop notice, penalty, loss of revenue, and expense (including any fees of accountants, attorneys, experts or other professionals, and costs of investigation, mediation, arbitration, litigation and appeal), in law or in equity, of every kind and nature whatsoever, arising out of or in connection with, resulting from or related to, or claimed to be arising out of the Work performed by Contractor, or any of its officers, agents, employees, Subcontractors, Sub-Subcontractors, design consultants or any person for whose acts any of them may be liable, regardless of whether such claim, suit or demand is caused, or alleged to be caused, in part, by an Indemnitee, including but not limited to:

- A. Bodily injury, emotional injury, sickness or disease, or death to any persons;
- B. Infringement of any patent rights, licenses, copyrights or intellectual property which may be brought against the Contractor or City arising out of Contractor's Work, for which the Contractor is responsible;
- C. Stop notices and claims for labor performed or materials used or furnished to be used in the Work, including all incidental or consequential damages resulting to City from such stop notices and claims;
- D. Failure of Contractor or its Subcontractors to comply with the provisions for insurance;
- E. Failure to comply with any Governmental Approval or similar authorization or order;
- F. Misrepresentation, misstatement, or omission with respect to any statement made in or any document furnished by the Contractor in connection therewith;
- G. Breach of any duty, obligation, or requirement under the Contract Documents;
- H. Failure to provide notice to any Party as required under the Contract Documents;
- I. Failure to protect the property of any utility provider or adjacent property owner; or
- J. Failure to make payment of all employee benefits.

This indemnity provision is effective regardless of any prior, concurrent, or subsequent active or passive negligence by Indemnitees, except that, to the limited extent mandated by California Civil Code Section 2782, the Contractor shall not be responsible for liabilities which arise from the sole negligence or willful misconduct of Indemnitees or arise from the active negligence of City.

11.02 ENFORCEMENT

Contractor's obligations under this Article extend to claims occurring after termination of the Contractor's performance of the Contract or Final Payment to Contractor. The obligations apply regardless of any actual or alleged negligent act or omission of Indemnitees. Contractor, however, shall not be obligated under this Agreement to indemnify an Indemnitee for claims arising from the sole active negligence or willful misconduct of the Indemnitee or independent contractors who are directly responsible to Indemnitees. Contractor's obligations under this Article are in addition to any other rights or remedies which the Indemnitees may have under the law or under the Contract Documents. In the event of any claim, suit or demand made against any Indemnitees, the

City may in its sole discretion reserve, retain or apply any monies due to the Contractor under the Contract for the purpose of resolving such claims; provided, however, that the City may release such funds if the Contractor provides the City with reasonable assurance of protection of the City's interests. The City shall in its sole discretion determine whether such assurances are reasonable.

11.03 NO LIMITATIONS

Contractor's indemnification and defense obligations set forth in this Article are separate and independent from the insurance provisions set forth in Article 12 herein; and do not limit, in any way, the applicability, scope, or obligations set forth in those insurance provisions. In claims, suits, or demands against any Indemnatee by an employee of the Contractor, a Subcontractor, anyone directly or indirectly employed by them, or anyone for whose acts they may be liable, the Contractor's indemnification and defense obligations shall not be limited by a limitation on amount or type of damages, compensation, or benefits payable by or for the Contractor or a Subcontractor under workers' compensation acts, disability benefits acts, or other employee benefits acts.

[END OF ARTICLE]

ARTICLE 12 – INSURANCE

12.01 CONDITION TO COMMENCEMENT

Contractor shall not commence Work under this Contract until Contractor has obtained all insurance required hereunder from a company or companies acceptable to City, nor shall the Contractor allow any Subcontractor to commence Work on a subcontract until all insurance required of said Subcontractor has been obtained. Proof of insurance including insurance certificates and endorsements as set forth in Exhibit 4 must be submitted by the Contractor prior to the City's execution of the Contract.

12.02 MINIMUM COVERAGE AND LIMITS

Contractor shall maintain the insurance coverage as set forth in Exhibit 4 throughout the term of the Contract.

12.03 CONDITIONS REGARDING INSURANCE COVERAGE AND LIMITS

City and Contractor agree as follows:

- A. All insurance coverage and limits provided pursuant to the Contract Documents shall apply to the full extent of the policies involved, available or applicable. Nothing contained in the Contract Documents or any other agreement relating to City or its operations limits the application of such insurance coverage.
- B. None of the policies required by this Contract shall be in compliance with these requirements if they include any limiting endorsement that has not been first submitted to City and approved in writing by the City Attorney or City's Risk Manager.

12.04 INSURANCE OBLIGATION IS SEPARATE FROM INDEMNITY OBLIGATION

This Agreement's insurance provisions:

- A. Are separate and independent from the indemnification and defense provisions in Article 12 of the Agreement; and
- B. Do not limit, in any way, the applicability, scope, or obligations of the indemnification and defense provisions in Article 12 of the Agreement.

[END OF ARTICLE]

ARTICLE 13 – BONDS

13.01 REQUIRED BONDS

A. Contractor shall furnish the following bonds:

1. A Performance Bond in an amount equal to one hundred percent (100%) of the total Contract price in the form shown in Exhibit "1" attached hereto.
2. A Payment Bond (Labor and Material) in an amount equal to one hundred percent (100%) of the total Contract price in the form shown in Exhibit "2" attached hereto.
3. A Maintenance Bond in an amount equal to ten percent (10%) of the total Contract price in the form shown in Exhibit "3" attached hereto.

13.02 POWER OF ATTORNEY

All bonds shall be accompanied by a power of attorney from the surety company authorizing the person executing the bond to sign on behalf of the company. If the bonds are executed outside the State of California, all copies of the bonds must be countersigned by a California representative of the surety. The signature of the person executing the bond on behalf of Surety shall be acknowledged by a Notary Public as the signature of the person designated in the power of attorney.

13.03 APPROVED SURETY

All bonds must be issued by a California admitted surety insurer with the minimum A.M Best Company Financial strength rating of "A: VII", or better. Bonds issued by a California admitted surety not listed on Treasury Circular 570 will be deemed accepted unless specifically rejected by the City. Bonds issued from admitted surety insurers not listed in Treasury Circular 570 must be accompanied by all documents enumerated in California Code of Civil Procedure Section 995.660. All such bonds must be accompanied by a power of attorney from the surety company authorizing the person executing the bond to sign on behalf of the company. If the bonds are executed outside the State of California, all copies of the bonds must be countersigned by a California representative of the surety. The signature of the person executing the bond on behalf of Surety must be acknowledged by a Notary Public as the signature of the person designated in the power of attorney.

13.04 REQUIRED PROVISIONS

Every bond must display the surety's bond number and incorporate the Contract for construction of the Work by reference. The terms of the bonds shall provide that the surety agrees that no change, extension of time, alteration, or modification of the Contract Documents or the Work to be performed thereunder shall in any way affect its obligations and shall waive notice of any such change, extension of time, alteration, or modification of the Contract Documents.

13.05 NEW OR ADDITIONAL SURETIES

If, during the continuance of the Contract, any of the sureties, in the opinion of the City, are or become non-responsible or otherwise unacceptable to City, City may require other new or additional sureties, which the Contractor shall furnish to the satisfaction of City within ten (10) days after notice, and in default thereof the Contract may be suspended and the materials may be purchased or the Work completed as provided in Article 5 herein.

13.06 WAIVER OF MODIFICATIONS AND ALTERATIONS

No modifications or alterations made in the Work to be performed under the Contract or the time of performance shall operate to release any surety from liability on any bond or bonds required to be given herein. Notice of such events shall be waived by the surety.

13.07 APPROVAL OF BONDS

The Contract will not be executed by City nor the Notice to Proceed issued until the required bonds have been received and approved by City. City's decision as to the acceptability of all sureties and bonds is final. No substitution of the form of the documents will be permitted without the prior written consent of City.

[END OF ARTICLE]

ARTICLE 14 - LABOR PROVISIONS

14.01 WORKING HOURS

- A. Work or activity of any kind shall be limited to the hours from 7:00 a.m. to 7:00 p.m. No construction noise shall be permitted between the hours of 7:00 p.m. and 7:00 a.m. of the next day.
- B. Work in excess of eight (8) hours per day, on Saturdays, Sundays, or on City holidays requires prior consent of the Director and is subject to Cost of Overtime Construction Inspection.
- C. Night, Sunday and Holiday Work. No Work shall be performed at night, Sunday, or the ten (10) legal holidays to wit: New Year's Day, Martin Luther King, Jr. Day, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Veteran's Day, Thanksgiving Day, Friday following Thanksgiving Day, and Christmas Day, except Work pertaining to the public safety or with the permission of the Director, and accordance with such regulations as he/she shall furnish in writing. Before performing any Work at said times, except Work pertaining to the public safety, the Contractor shall give written notice to the Director so that proper inspection may be provided. "Night" as used in this paragraph shall be deemed to include the hours from 7:00 P.M. to 7:00 A.M. of the next succeeding day.

14.02 COST OF OVERTIME CONSTRUCTION SERVICES AND INSPECTIONS

- A. Overtime construction Work performed at the option of, or for the convenience of, the Contractor will be inspected by the City at the expense of the Contractor. For any such overtime beyond the regular 8-hour day and for any time worked on Saturday, Sunday, or holidays the charges will be determined by the City, and submitted to the Contractor for payment.
- B. Equipment, materials, or services provided by the City, in connection with Contractor-initiated overtime construction Work described in Paragraph 14.02(A), will also be at the expense of the Contractor. The charges will be determined by the City, and submitted to the Contractor for payment.
- C. There will be no charges to the Contractor for the inspection of overtime Work ordered by the Director or required by the Contract Documents.

14.03 COMPLIANCE WITH STATE LABOR CODE

- A. Contractor shall comply with the provisions of the Labor Code of the State of California and any amendments thereof.
 - 1. The time of service of any worker employed upon the Work shall be limited and restricted to eight (8) hours during any one-calendar day, and 40 hours during any one-calendar week.
 - 2. Work performed by employees of the Contractor in excess of eight (8) hours per day, and 40 hours during any one calendar week, shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day at not less than one and one-half times the basic rate of pay.
 - 3. The Contractor and every Subcontractor shall keep an accurate record showing the name of and the actual hours worked each calendar day and each calendar week by each worker employed by him/her in connection with the Work; the record shall be kept open at all reasonable hours to the inspection of the City and to the Division of Labor Standards Enforcement of the State of California.
 - 4. In the event City deems Contractor is in violation of this Paragraph 14.03, the Contractor shall, as a penalty, forfeit Fifty Dollars (\$50.00) for each worker employed in the execution of the Contract

by the Contractor or by any Subcontractor for each calendar day for which the employee was underpaid in addition to an amount sufficient to recover underpaid wages. For each subsequent violation, a (one hundred dollar) \$100 penalty shall apply for each underpaid employee for each pay period for which the employee was underpaid in addition to an amount sufficient to cover underpaid wages. This subparagraph is effective to the extent it does not directly conflict with the overtime penalty provision of California Labor Code Section 558. In the event of such conflict, the California Labor Code governs over this Paragraph 14.03(A)(4).

14.04 WAGE RATES

A. Prevailing Wages

1. Contractor shall comply with the general prevailing rates of per diem wages and the general prevailing rates for holiday and overtime Work in the locality in which the Work is to be performed, for each craft, classification, or type of worker needed to execute the Contract. The Director of the Department of Industrial Relations of the State of California (pursuant to California Labor Code) and the United States Secretary of Labor (pursuant to the Davis-Bacon Act) have determined the general prevailing rates of wages in the locality in which the Work is to be performed. The rates are available online at www.dir.ca.gov/DLSR/PWD/. To the extent that there are any differences in the federal and state prevailing wage rates for similar classifications of labor, the Contractor and its Subcontractors shall pay the highest wage rate.
2. The Contractor shall post a copy of the general prevailing rate of per diem wages at the job site.
3. The Contractor and any Subcontractor under him/her shall pay not less than the specified prevailing rate of wages to all workers employed in the execution of the Contract.
4. The holidays upon which such rates shall be paid shall be all holidays recognized in the collective bargaining Contract applicable to the particular craft, classification, or type of worker employed on the project.
5. The Contractor shall, as a penalty to the State or the City, forfeit not more than Fifty Dollars (\$50) for each calendar day, or portion thereof, for each worker paid less than the prevailing rates for the Work or craft in which the worker is employed under the Contract by the Contractor or by any Subcontractor under him. The difference between the prevailing wage rates and the amount paid to each worker for each calendar day or portion thereof for which such worker was paid less than the stipulated prevailing wage rate shall be paid to such worker by the Contractor.
6. The specified wage rates are minimum rates only and the City will not consider and shall not be liable for any claims for additional compensation made by the Contractor because of payment by him/her of any wage rate in excess of the general prevailing rates. All disputes in regard to the payment of wages in excess of those specified herein shall be adjusted by the Contractor at his/her own expense.

B. Payroll Records

1. Pursuant to California Labor Code Section 1776, the Contractor and each Subcontractor shall keep an accurate payroll record, showing the name, address, social security number, Work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker or other employee employed in connection with the Work. The payroll records shall be certified and shall be available for inspection.

2. The Contractor shall inform the City of the location of the payroll records, including the street address, city and county, and shall, within five (5) Working Days, provide a notice of change in location and address.
3. Upon request by the Director, the Contractor shall provide a copy of the certified payroll records along with a statement of compliance.

14.05 APPRENTICESHIP STANDARDS

- A. Compliance with California Labor Code Section 1777.5 requires all public works contractors and subcontractors to:
 1. Prior to commencing work on a public works contract, submit Contract Award information to the applicable joint apprenticeship committee, including an estimate of the journeyman hours to be performed under the Contract, the number of apprentices to be employed, and the approximate dates the apprentices will be employed. Use Form DAS-140 from the State Department of Industrial Relations. The City reserves the right to require Contractor and Subcontractors to submit a copy of said forms to the City.
 2. Employ apprentices for the public work at a ratio of no less than one (1) hour or apprentice work for every five (5) hours or labor performed by a journeyman. To request dispatch of apprentices, use Form DAS-142 from the State Department of Industrial Relations. The City reserves the right to require Contractor and Subcontractors to submit a copy of said forms to the City.
 3. Pay the apprentice rate on public works projects only to those apprentices who are registered, as defined in Labor Code Section 3077.
 4. Contribute to the training fund in the amount identified in the Prevailing Wage Rate publication for journeyman and apprentices. Contractors who choose not to contribute to the local training trust fund must make their contributions to the California Apprenticeship Council, P.O. Box 420603, San Francisco, CA 94142.
- B. Failure to comply with the provisions of California Labor Code Section 1777.5 may result in the loss of the right to bid or perform work on all public works projects for a period of one to three years and the imposition of a civil penalty of One Hundred Dollars (\$100.00) for each calendar day of noncompliance for the first violation and up to Three Hundred Dollars (\$300.00) for each calendar day of noncompliance for a second or subsequent violation. Contractor should make a separate copy of this material for each of his/her Subcontractors.
- C. Payroll Records. The Contractor and each Subcontractor shall keep an accurate payroll record, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman apprentice, worker or other employee employed in connection with the work. The payroll records shall be certified and shall be submitted to the Project Manager every two weeks.
- D. Statement of Employer Fringe Benefit Payments. Within five (5) calendar days of signing the Contract or Subcontract, as applicable, the Statement of Employer Payments (DLSE Form PW 26 from the State Department of Industrial Relations) shall be completed for each Contractor and Subcontractor of any tier who pays benefits to a third party trust, plan or fund for health and welfare benefits, vacation funds or makes pension contributions. The form must contain, for each worker classification, the fund, plan or trust name, address, administrator, the amount per hour contributed

and the frequency of contributions. Training fund contributions shall also be reported in this form. City reserves the right to require Contractors and Subcontractors to submit a copy of said forms to the City.

14.06 EMPLOYMENT OF APPRENTICES

- A. In the performance of this Contract, the Contractor and any Subcontractor shall comply with the provisions concerning the employment of apprentices in the Labor Code of the State of California and any amendments thereof.
- B. In the event the Contractor or any Subcontractor willfully fails to comply with the aforesaid provisions of the Labor Code, such Contractor or Subcontractor shall be subject to the penalties for noncompliance in the Labor Code of the State of California and any amendments thereof.

14.07 REGISTRATION WITH THE STATE DEPARTMENT OF INDUSTRIAL RELATIONS

In the performance of this Contract, Contractor and/or any Subcontractor must be currently registered and qualified (including payment of any required fee) with the State Department of Industrial Relations pursuant to Labor Code section 1725.5. This project is subject to compliance monitoring and enforcement by the State Department of Industrial Relations.

14.08 CHARACTER OF WORKERS

The Contractor shall not allow his/her agents or employees, Subcontractors, or any agent or employee thereof, to trespass on premises or lands in the vicinity of the Work. Only skilled foremen and workers shall be employed on Work requiring special qualifications, and when required by the Director, the Contractor shall discharge any person who commits trespass, or in the opinion of the Director, acts in a disorderly, dangerous, insubordinate, incompetent, or otherwise objectionable manner. Any employee being intoxicated or bringing or having intoxicating liquors or controlled substances on the Work shall be discharged. Such discharge shall not be the basis of any claim for compensation of damages against the City or any of its officers, agents, and employees.

14.09 NO SMOKING – STATE LABOR CODE SECTION 6404.5

The Contractor and its agents, employees, Subcontractors, representatives, and any person under Contractor's control, are prohibited from smoking in— or within a 20-foot distance from— the Site, which is a "place of employment" under California Labor Code § 6404.5.

[END OF ARTICLE]

ARTICLE 15 - DISPUTE RESOLUTION

15.01 SUBMISSION OF CLAIMS

A. By Contractor

Contractor's right to commence the Claims Dispute Resolution Process shall arise upon the Director's written response denying all or part of a Claim. Contractor shall submit a written Statement of Dispute to the Director within seven (7) Days after the Director rejects all or a portion of Contractor's Claim. Contractor's Statement of Dispute shall be signed under penalty of perjury and shall state with specificity the events or circumstances giving rise to the Claim, the dates of their occurrence and the effect, if any, on the compensation due or performance obligations of Contractor under the Construction Contract. Such Statement of Dispute shall include adequate supporting data to substantiate the disputed Claim. Adequate supporting data for a Claim relating to the adjustment of the Contractor's obligations relative to time of performance shall include a detailed, event-by-event description of the impact of each delay on Contractor's time for performance. Adequate supporting data to a Statement of Dispute submitted by Contractor involving Contractor's compensation shall include a detailed cost breakdown and supporting cost data in such form and including such detailed information and other supporting data as required to demonstrate the grounds for, and precise amount of, the Claim.

B. By City

City's right to commence the Claims Dispute Resolution Process shall arise at any time following the City's actual discovery of the circumstances giving rise to the Claim. Nothing contained herein shall preclude City from asserting Claims in response to a Claim asserted by Contractor. A Statement of Dispute submitted by City shall state the events or circumstances giving rise to the Claim, the dates of their occurrence and the damages or other relief claimed by City as a result of such events.

C. Claims Defined

The term "claims" as used herein shall be as defined in California Public Contract Code § 20104(b)(2).

15.02 CLAIMS DISPUTE RESOLUTION PROCESS

The parties shall utilize each of the following steps in the Claims Dispute Resolution Process in the sequence they appear below. Each party shall participate fully and in good faith in each step in the Claims Dispute Resolution Process, which good faith effort shall be a condition precedent to the right of each party to proceed to the next step in the Claims Dispute Resolution Process.

A. Direct Negotiations

Designated representatives of City and Contractor shall meet as soon as possible (but not later than ten (10) Days after receipt of the Statement of Dispute) in a good faith effort to negotiate a resolution to the Claim. Each party shall be represented in such negotiations by an authorized representative with full knowledge of the details of the Claim or defenses being asserted by such party, and with full authority to resolve such Claim then and there, subject only to City's right and obligation to obtain City Council [or other City official] approval of any agreed settlement or resolution. In the Claim involves the assertion of a right or claim by a Subcontractor against Contractor that is in turn being asserted by Contractor against City, then such Subcontractor shall also have a representative attend such negotiations, with the same authority and knowledge as just described. Upon completion of the meeting, if the Claim is not resolved, the parties may either continue the negotiations or either party may declare negotiations ended. All discussions that occur during such negotiations and all documents

prepared solely for the purpose of such negotiations shall be confidential and privileged pursuant to California Evidence Code Sections 1119 and 1152.

B. Deferral of Claims

Following the completion of the negotiations required by Paragraph 15.02-A., all unresolved Claims, except those that do not involve parties other than the Contractor and City, shall be deferred pending Final Completion of the Work, subject to City's right, in its sole and absolute discretion, to require that the claims Dispute Resolution Process proceed prior to Final Completion. In the event that City does not elect to proceed with the Claims Dispute Resolution Process prior to Final Completion of the Work, all Claims that have been deferred until such Final Completion shall be consolidated within a reasonable time after such Final Completion and thereafter pursued to resolution pursuant to the Claims Dispute Resolution Process. Nothing contained in this Article 15 shall be interpreted as limiting the parties' rights to continue informal negotiations of Claims that have been deferred until such Final Completion; provided, however, that such informal negotiations shall not be interpreted as altering the provisions of this Article 15 deferring final determination and resolution of unresolved Claims until after Final Completion of the Work.

C. Legal Proceedings

If the Claim is not resolved by direct negotiations then the party wishing to further pursue resolution or determination of the Claim shall submit the Claim for determination by commencing legal proceedings in a court of competent jurisdiction.

15.03 NO WAIVER

Participation in the Claims Dispute Resolution Process shall not constitute a waiver, release or compromise of any defense of either party, including, without limitation, any defense based on the assertion that the rights of Contractor that are the basis of a Claim were previously waived by Contractor due to failure to comply with the Contract Documents, including, without limitation, Contractor's failure to comply with any time periods for providing notices or for submission or supporting documentation of Claims.

[END OF ARTICLE]

ARTICLE 16 - ACCOUNTING RECORDS

16.01 MAINTENANCE OF RECORDS

Contractor shall keep, and shall include in its contracts with its Subcontractors, provisions requiring its Subcontractors to keep full and detailed books and records in accordance with the requirements of the Contract Documents, including the following: all information, materials and data of every kind and character (hard copy, as well as computer readable data if it exists), that have any bearing on or pertain to any matters, rights, duties or obligations relating to the Project or the performance of the Work, including, without limitation, agreements, purchase orders, leases, contracts, commitments, arrangements, notes, change orders, change order requests, estimates, field orders, schedules, diaries, logs, reports, shop drawings, samples, exemplars, Drawings, Specifications, invoices, delivery tickets, receipts, vouchers, cancelled checks, memoranda; accounting records; job cost reports; job cost files (including complete documentation covering negotiated settlements); backcharge; general ledgers; documentation of cash and trade discounts earned; insurance rebates and dividends, and other documents relating in way to Claims or Change Orders, Construction Change Directives, Work Directives, or other claims for payment related to the Project asserted by Contractor or any Subcontractor ("Accounting Records"). Contractor shall exercise such controls as may be necessary for proper financial management of the Work. Such accounting and control systems shall comply with prevailing custom and practice for similar projects, be satisfactory to City and shall include preservation of such records for a period of five (5) years after approval of the Notice of Completion and Acceptance by City, or for such longer period as may be required by applicable laws.

16.02 ACCESS TO RECORDS

Contractor shall allow, and shall include in its contracts with its Subcontractors provisions requiring its Subcontractors to allow, City and its authorized representative(s), auditors, attorneys and accountants, upon twenty-four (24) hours notice to Contractor, full access to inspect and copy all books and records relating to the Project that Contractor is required to maintain pursuant to Paragraph 16.01, above.

16.03 CONTRACTOR NONCOMPLIANCE, WITHHOLDING

Contractor's compliance with Paragraphs 16.01 and 16.02, above, shall be a condition precedent to maintenance of any legal action or arbitration by Contractor against City. In addition to and without limitation upon City's other rights and remedies for breach, including any other provisions for withholding set forth in the Contract Documents, City shall have the right, exercised in its sole discretion, to withhold from any payment to Contractor due under a current Application for Payment an additional sum of up to ten percent (10%) of the total amount set forth in such Application for Payment, until Contractor and its Subcontractors have complied with any outstanding and unsatisfied request by City under this Article 16. Upon such compliance with this Article 16, any additional monies withheld pursuant to this Paragraph 16.03 shall be released to Contractor.

16.04 SPECIFIC ENFORCEMENT BY CITY

Contractor agrees that any failure by Contractor or any Subcontractor to provide access to its books and records as required by this Article 16 shall be specifically enforceable, by issuance of a preliminary and/or permanent mandatory injunction by a court of competent jurisdiction based on affidavits submitted to such court and without the necessity of oral testimony, to compel Contractor to permit access, inspection, audits and/or reproduction of such books and records or to require delivery of such books and records to City for inspection, audit and/or reproduction.

[END OF ARTICLE]

ARTICLE 17-MISCELLANEOUS PROVISIONS

17.01 COMPLIANCE WITH APPLICABLE LAWS

A. Notices, Compliance

Contractor shall give all notices required by governmental authorities and comply with all applicable laws and lawful orders of governmental authorities, including but not limited to the provisions of the California Code of Regulations applicable to contractors performing construction and all laws, ordinances, rules, regulations and lawful orders relating to safety, prevailing wage and equal employment opportunities.

B. Taxes, Employee Benefits

Contractor shall pay at its own expense, at no cost to the City and without adjustment to the Contract Sum, all local, state and federal taxes, including, without limitation all sales, consumer, business license, use and similar taxes on materials, labor or other items furnished for the Work or portions thereof provided by Contractor or Subcontractors, all taxes arising out of its operations under the Contract Documents and all benefits, insurance, taxes and contributions for social security and unemployment insurance which are measured by wages, salaries or other remuneration paid to Contractor's employees. If under federal excise tax law any transaction hereunder constitutes a sale on which a federal excise tax is imposed and the sale is exempt from such excise tax because it is a sale to meat for its exclusive use, then City, upon request, will execute documents necessary to show that is a political subdivision of the State for the purposes of such exemption and that the sale is for the exclusive use of the City, in which case no excise tax for such materials shall be included in the Bid or Contract Sum.

C. Notice of Violations

Contractor shall immediately notify the City and Director in writing of any instruction received from the City, Director, Architect or other person or entity that, if implemented, would cause a violation of any applicable law or lawful order of a governmental authority. If Contractor fails to provide such notice, then Director shall be entitled to assume that such instruction is in compliance with applicable laws and lawful orders of governmental authorities. If Contractor observes that any portion of the Drawings and Specifications or Work are at variance with applicable laws or lawful orders of governmental authorities, or should Contractor become aware of conditions not covered by the Contract Documents which will result in Work being at variance therewith, Contractor shall promptly notify Director in writing. If, without such notice to Director, Contractor or any Subcontractor performs any Work which it knew, or through the exercise of reasonable care should have known, was contrary to lawful orders of governmental authorities or applicable laws, then Contractor shall bear all resulting losses at its own expense, at no cost to City and without adjustment to the Contract Sum.

17.02 OWNERSHIP OF DESIGN DOCUMENTS

A. Property of City

All Design Documents, Contract Documents and Submittals (including, without limitation, all copies thereof) and all designs and building designs depicted therein are and shall remain the sole and exclusive property of the City and the City shall solely and exclusively hold all copyrights thereto. Without derogation the City's rights under this Paragraph, the Contractor and Subcontractors are granted a limited, non-exclusive license, revocable at will of City, to use and reproduce applicable

portions of the Contract Documents and Submittals as appropriate to and for use in the execution of the Work and for no other purpose.

B. Documents on Site

Contractor shall keep on the Project site, at all times and for use by City, Director, Inspectors of Record and City's Consultants, a complete set of the Contract Documents that have been approved by applicable Governmental Authorities.

C. Delivery to City

All Design Documents, Contract Documents and Submittals in the possession of Contractor or Subcontractors shall be returned to the City upon the earlier of Final Completion or termination of the Construction Contract; provided, however, that Contractor and each Subcontractor shall have the right to retain one (1) copy of the Contract Documents and Submittals for its permanent records

D. Subcontractors

Contractor shall take all necessary steps to assure that a provision is included in all subcontracts with Subcontractors, of every tier, who perform Work on the Project establishing, protecting and preserving the, City's rights set forth in this Paragraph.

17.03 AMENDMENTS

The Contract Documents may be amended only by a written instrument duly executed by the parties or their respective successors or assigns.

17.04 WAIVER

Either party's waiver of any breach or failure to enforce any of the terms, covenants, conditions or other provisions of the Contract Documents at any time shall not in any way limit or waive that party's right thereafter to enforce or compel strict compliance with every term, covenant, condition or other provision, any course of dealing or custom of the trade notwithstanding. Furthermore, if the parties make and implement any interpretation of the Contract Documents without documenting such interpretation by an instrument in writing signed by both parties, such interpretation and implementation thereof will not be binding in the event of any future disputes.

17.05 INDEPENDENT CONTRACTOR

Contractor is an independent contractor, and nothing contained in the Contract Documents shall be construed as constituting any relationship with City other than that of Project owner and independent contractor. In no event shall the relationship between City and Contractor be construed as creating any relationship whatsoever between City and Contractor's employees. Neither Contractor nor any of its employees is or shall be deemed to be an employee of City. Except as otherwise specified in the Contract Documents, Contractor has sole authority and responsibility to employ, discharge and otherwise control its employees and has complete and sole responsibility as a principal for its agents, for all Subcontractors and for all other Persons that Contractor or any Subcontractor hires to perform or assist in performing the Work.

17.06 SUCCESSORS AND ASSIGNS

The Contract Documents shall be binding upon and inure to the benefit of City and Contractor and their

permitted successors, assigns and legal representatives.

- A. City may assign all or part of its right, title and interest in and to any Contract Documents, including rights with respect to the Payment and Performance Bonds, to (a) any other governmental person as permitted by governmental rules, provided that the successor or assignee has assumed all of City's obligations, duties and liabilities under the Contract Document then in effect; and (b) any other Person with the prior written approval of Contractor.
- B. Contractor may collaterally assign its rights to receive payment under the Contract Documents. Contractor may not delegate any of its duties hereunder, except to Subcontractors as expressly otherwise permitted in the Contract Documents. Contractor's assignment or delegation of any of its Work under the Contract Documents shall be ineffective to relieve Contractor of its responsibility for the Work assigned or delegated, unless City, in its sole discretion, has approved such relief from responsibility.

Any assignment of money shall be subject to all proper set-offs and withholdings in favor of City and to all deductions provided for in the Contract. All money withheld, whether assigned or not, shall be subject to being used by City for completion of the Work, should Contractor be in default.

- C. Except for the limited circumstances set forth in Paragraph 17.06-B, above, Contractor may not, without the prior written consent of City in its sole discretion, voluntarily or involuntarily assign, convey, transfer, pledge, mortgage or otherwise encumber its rights or interests under the Contract Documents. No partner, joint venturer, member or shareholder of Contractor may assign, convey, transfer, pledge, mortgage or otherwise encumber its ownership interest in Contractor without the prior written consent of City, in City's sole discretion.

17.07 SURVIVAL

Contractor's representations and warranties, the dispute resolution provisions contained in Article 15, and all other provisions which by their inherent character should survive termination of the Contract and/or Final Acceptance, shall survive the termination of the Contract and the Final Acceptance Date.

17.08 LIMITATION ON THIRD PARTY BENEFICIARIES

It is not intended by any of the provisions of the Contract Documents to create any third party beneficiary hereunder or to authorize anyone not a party hereto to maintain a suit for personal injury or property damage pursuant to the terms or provisions hereof, except to the extent that specific provisions (such as the warranty and indemnity provisions) identify third parties and state that they are entitled to benefits hereunder. The duties, obligations and responsibilities of the parties to the Contract Documents with respect to such third parties shall remain as imposed by law. The Contract Documents shall not be construed to create a contractual relationship of any kind between City and a Subcontractor or any other Person except Contractor.

17.09 PERSONAL LIABILITY OF CITY EMPLOYEES

City's authorized representatives are acting solely as agents and representatives of City when carrying out the provisions of or exercising the power or authority granted to them under the Contract. They shall not be liable either personally or as employees of City for actions in their ordinary course of employment.

No agent, consultant, Council member, officer or authorized employee of City, shall be personally responsible for any liability arising under the Contract.

17.10 NO ESTOPPEL

City shall not, nor shall any officer thereof, be precluded or estopped by any measurement, estimate or certificate made or given by the City representative or other officer, agent, or employee of City under any provisions of the Contract from at any time (either before or after the final completion and acceptance of the Work and payment therefor) pursuant to any such measurement, estimate or certificate showing the true and correct amount and character of the work done, and materials furnished by Contractor or any person under the Contract or from showing at any time that any such measurement, estimate or certificate is untrue and incorrect, or improperly made in any particular, or that the work and materials, or any part thereof, do not in fact conform to the Contract Documents. Notwithstanding any such measurement, estimate or certificate, or payment made in accordance therewith, City shall not be precluded or estopped from recovering from Contractor and its Sureties such damages as City may sustain by reason of Contractor's failure to comply or to have complied with the Contract Documents.

17.11 GOVERNING LAW

The laws of the State of California govern the construction and interpretation of the Contract Documents, without regard to conflict of law principles. Unless the Contract Documents provide otherwise, any reference to laws, ordinances, rules, or regulations include their later amendment, modifications, and successor legislation. If Contractor or City brings a lawsuit to enforce or interpret one or more provisions of the Contract Documents, jurisdiction is in the Superior Court of the County of Los Angeles, California, or where otherwise appropriate, in the United States District Court, Central District of California. Contractor and City acknowledge that the Contract Documents were negotiated, entered into, and executed—and the Work was performed—in the City of Vernon, California.

17.12 FURTHER ASSURANCES

Contractor shall promptly execute and deliver to City all such instruments and other documents and assurances as are reasonably requested by City to further evidence the obligations of Contractor hereunder, including assurances regarding assignments of Subcontractors contained herein.

17.13 SEVERABILITY

If any clause, provision, section, paragraph or part of the Contract is ruled invalid by a court having proper jurisdiction, then the parties shall: (a) promptly meet and negotiate a substitute for such clause, provision, section, paragraph or part, which shall, to the greatest extent legally permissible, effect the original intent of the parties, including an equitable adjustment to the Contract Price to account for any change in the Work resulting from such invalidated portion; and (b) if necessary or desirable, apply to the court or other decision maker (as applicable) which declared such invalidity for an interpretation of the invalidated portion to guide the negotiations. The invalidity or unenforceability of any such clause, provision, section, paragraph or part shall not affect the validity or enforceability of the balance of the Contract, which shall be construed and enforced as if the Contract did not contain such invalid or unenforceable clause, provision, section, paragraph or part.

17.14 HEADINGS

The captions of the sections of the Contract are for convenience only and shall not be deemed part of the Contract or considered in construing the Contract.

17.15 ENTIRE AGREEMENT

The Contract Documents contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, statements, representations and negotiations between the parties with respect to its subject matter.

17.16 COUNTERPARTS

This instrument may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[END OF ARTICLE]

EXHIBIT 1

Bond No.: _____

Premium Amount: \$ _____

Bond's Effective Date: _____

PERFORMANCE BOND

RECITALS:

1. The City of Vernon, California ("City"), has awarded to

(Name, address, and telephone of Contractor)

a Contract (the "Contract") for the Work described as follows:

Specification No. _____ in Vernon, CA.

2. Principal is required under the terms of the Contract— and all contract documents referenced in it ("Contract Documents")— to furnish a bond guaranteeing Principal's faithful performance of the Work.
3. The Contract and Contract Documents, including all their amendments and supplements, are incorporated into this Bond and made a part of it by this reference.

OBLIGATION:

THEREFORE, for value received, We, Principal and

(Name, address, and telephone of Surety)

a duly admitted surety insurer under California's laws, agree as follows:

By this Bond, We jointly and severally obligate and bind ourselves, and our respective heirs, executors, administrators, successors, and assigns to pay City the penal sum of _____ Dollars (\$ _____) ("the Bonded Sum"), this amount comprising not less than the total Contract Sum, in lawful money of the United States of America.

The California Licensed Resident Agent for Surety is:

(Name, address, and telephone)

_____. Registered Agent's California Department of Insurance License No. _____.

THE CONDITION OF THIS BOND'S OBLIGATION IS THAT, if Principal promptly and faithfully performs the undertakings, terms, covenants, conditions, and agreements in the Contract and Contract Documents (including all their amendments and supplements), all within the time and in the manner that those documents specify, then this obligation becomes null and void. Otherwise, this Bond remains in full force and effect, and the following terms and conditions apply to this Bond:

1. This Bond specifically guarantees Principal's performance of each obligation and all obligations under the Contract and Contract Documents, as they may be amended and supplemented— including, but not limited to, Principal's liability for liquidated damages, Warranties, Guarantees, Correction, and Maintenance obligations as specified in the Contract and Contract Documents— except that Surety's total obligation, as described here, will not exceed the Bonded Sum.
2. For those obligations of Principal that survive Final Completion of the Work described in the Contract and Contract Documents, the guarantees in this Bond also survive Final Completion of the Work.
3. When City declares that Principal is in default under the Contract, or Contract Documents, or both, Surety shall promptly: (a) remedy the default; (b) complete the Project according to the Contract Documents' terms and conditions then in effect; or (c) using a procurement methodology approved by City, select a contractor or contractors— acceptable to City— to complete all of the Work, and arrange for a contract between the contractor(s) and City. Surety shall make available, as the Work progresses, sufficient funds to pay the cost of completion less the balance of the Contract Sum, and to pay and perform all obligations of Principal under the Contract and Contract Documents— including other costs and damages for which Surety is liable under this Bond— except that

Surety's total obligation, as described here, will not exceed the Bonded Sum.

4. An alteration, modification, change, addition, deletion, omission, agreement, or supplement to the Contract, Contract Documents, or the nature of the Work performed under the Contract or Contract Documents— including, without limitation, an extension of time for performance— does not, in any way, affect Surety's obligations under this Bond. Surety waives any notice of alteration, modification, change, addition, deletion, omission, agreement, supplement, or extension of time.
5. Surety's obligations under this Bond are separate, independent from, and not contingent upon any other surety's guaranteeing Principal's faithful performance of the Work.
6. No right of action accrues on this Bond to any entity other than City or its successors and assigns.
7. If an action at law or in equity is necessary to enforce or interpret this Bond's terms, Surety must pay— in addition to the Bonded Sum— City's reasonable attorneys' fees and litigation costs, in an amount the court fixes.
8. Surety shall mail City written notice at least 30 days before: (a) the effective date on which the Surety will cancel, terminate, or withdraw from this Bond; or (b) this Bond becomes void or unenforceable for any reason.

On the date set forth below, Principal and Surety duly executed this Bond, with the name of each party appearing below and signed by its representative(s) under the authority of its governing body.

Date: _____

PRINCIPAL:

SURETY:

(Company Name)

(Company Name)

(Signature)

(Signature)

By: _____

By: _____

(Name)

(Name)

Its: _____

Its: _____

(Title)

(Title)

Address for Serving Notices or Other Documents:

Address for Serving Notices or Other Documents:

CORPORATE SEAL

CORPORATE SEAL

- *THIS BOND MUST BE EXECUTED IN DUPLICATE.*
- *EVIDENCE MUST BE ATTACHED OF THE AUTHORITY OF ANY PERSON SIGNING AS ATTORNEY-IN-FACT.*
- *THE ATTORNEY-IN-FACT'S SIGNATURE MUST BE NOTARIZED.*
- *A CORPORATE SEAL MUST BE IMPRESSED ON THIS FORM WHEN THE PRINCIPAL, OR THE SURETY, OR BOTH, ARE A CORPORATION.*

APPROVED AS TO SURETY AND
AMOUNT OF BONDED SUM:

APPROVED AS TO FORM:

By _____
General Manager of Public Utilities

By _____
City Attorney

BOND ACKNOWLEDGMENT
FOR
SURETY'S ATTORNEY-IN-FACT

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____,
before me, _____(name), a Notary Public for said County, personally
appeared _____(name), who proved to me on the basis of
satisfactory evidence to be the person whose name is subscribed to this instrument as the attorney in fact of
_____, and acknowledged to me that he/she subscribed the
name of _____ thereto as principal, and his/he own name as
attorney in fact.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true
and correct.

Notary Public

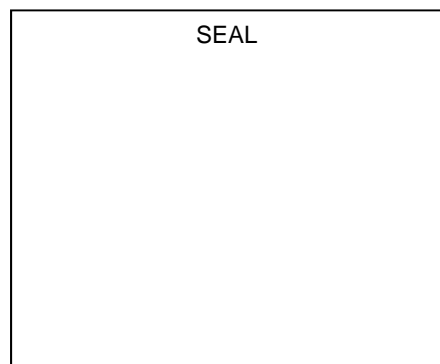


EXHIBIT 2

Bond No.: _____
Premium Amount: \$ _____
Bond's Effective Date: _____

PAYMENT BOND (LABOR AND MATERIALS)

RECITALS:

1. The City of Vernon, California ("City"), has awarded to

(Name, address, and telephone of Design-Builder)

_____, ("Principal"),
a Contract (the "Contract") for the Work described as follows:

Specification No. _____: _____ in Vernon, CA.

2. Principal is required under California Civil Code Sections 3247-3248 and the terms of the Contract— and all contract documents referenced in it ("Contract Documents")— to furnish a bond guaranteeing Principal's paying claims, demands, liens, or suits for any work, labor, services, materials, or equipment furnished or used in the Work.
3. The Contract and Contract Documents, including all their amendments and supplements, are incorporated into this Bond and made a part of it by this reference.

OBLIGATION:

THEREFORE, for value received, We, Principal and

(Name, address, and telephone of Surety)

_____, ("Surety"),

a duly admitted surety insurer under California's laws, agree as follows:

By this Bond, We jointly and severally obligate and bind ourselves, and our respective heirs, executors, administrators, successors, and assigns to pay City the penal sum of _____ Dollars (\$ _____) ("the Bonded Sum"), this amount comprising not less than the total Contract Sum, in lawful money of the United States of America.

The California Licensed Resident Agent for Surety is:

(Name, address, and telephone)

_____. Registered Agent's California Department of Insurance License No. _____.

THE CONDITION OF THIS BOND'S OBLIGATION IS THAT, if Principal or a subcontractor fails to pay (a) any person named in California Civil Code Section 3181, or any successor legislation; (b) any amount due under California's Unemployment Insurance Code, or any successor legislation, for work or labor performed under the Contract or Contract Documents; or (c) any amount under Unemployment Insurance Code Section 13020, or any successor legislation, that Principal or a subcontractor must deduct, withhold, and pay over to the Employment Development Department from the wages of its employees, for work or labor performed under the Contract or Contract Documents, then Surety shall pay for the same in an amount not-to-exceed the Bonded Sum. Otherwise, this obligation becomes null and void. While this Bond remains in full force and effect, the following terms and conditions apply to this Bond:

1. This Bond inures to the benefit of any of the persons named in California Civil Code Section 3181, or any successor legislation, giving those persons or their assigns a right of action in any suit brought upon this Bond, unless California Civil Code Section 3267, or any successor legislation, applies.

2. An alteration, modification, change, addition, deletion, omission, agreement, or supplement to the Contract, Contract Documents, or the nature of the Work performed under the Contract or Contract Documents— including, without limitation, an extension of time for performance— does not, in any way, affect Surety's obligations under this Bond. Surety waives any notice of alteration, modification, change, addition, deletion, omission, agreement, supplement, or extension of time.
3. Surety's obligations under this Bond are separate, independent from, and not contingent upon any other surety's paying claims, demands, liens, or suits for any work, labor, services, materials, or equipment furnished or used in the Work.
4. If an action at law or in equity is necessary to enforce or interpret this Bond's terms, Surety must pay— in addition to the Bonded Sum— City's reasonable attorneys' fees and litigation costs, in an amount the court fixes.
5. Surety shall mail City written notice at least 30 days before: (a) the effective date on which the Surety will cancel, terminate, or withdraw from this Bond; or (b) this Bond becomes void or unenforceable for any reason.

On the date set forth below, Principal and Surety duly executed this Bond, with the name of each party appearing below and signed by its representative(s) under the authority of its governing body.

Date: _____

PRINCIPAL:

SURETY:

(Company Name)

(Company Name)

(Signature)

(Signature)

By: _____
(Name)

By: _____
(Name)

Its: _____
(Title)

Its: _____
(Title)

Address for Serving Notices or Other Documents:

Address for Serving Notices or Other Documents:

CORPORATE SEAL

CORPORATE SEAL

- *THIS BOND MUST BE EXECUTED IN DUPLICATE.*
- *EVIDENCE MUST BE ATTACHED OF THE AUTHORITY OF ANY PERSON SIGNING AS ATTORNEY-IN-FACT.*
- *THE ATTORNEY-IN-FACT'S SIGNATURE MUST BE NOTARIZED.*
- *A CORPORATE SEAL MUST BE IMPRESSED ON THIS FORM WHEN THE PRINCIPAL, OR THE SURETY, OR BOTH, ARE A CORPORATION.*

APPROVED AS TO SURETY AND
AMOUNT OF BONDED SUM:

APPROVED AS TO FORM:

By _____
General Manager of Public Utilities

By _____
City Attorney

BOND ACKNOWLEDGMENT
FOR
SURETY'S ATTORNEY-IN-FACT

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On this _____ day of _____, 20____,
before me, _____(name), a Notary Public for said County, personally
appeared _____(name), who proved to me on the basis of
satisfactory evidence to be the person whose name is subscribed to this instrument as the attorney in fact of
, and acknowledged to me that he/she subscribed the name of _____ thereto
as principal, and his/he own name as attorney in fact.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true
and correct.

Notary Public

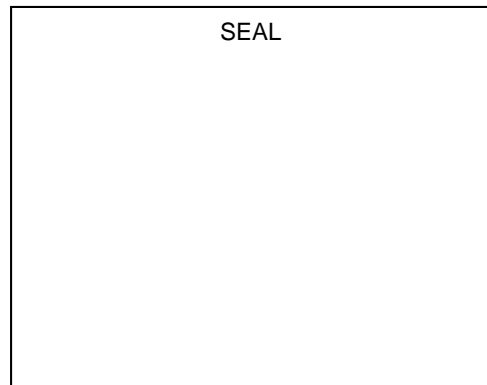


EXHIBIT 3

Bond No.: _____

Premium Amount: \$ _____

Bond's Effective Date: _____

MAINTENANCE BOND

RECITALS:

1. The City of Vernon, California ("City"), has awarded to

(Name, address, and telephone of Contractor)

("Principal"),

a Contract (the "Contract") for the Work described as follows:

Specification No. _____: _____ in Vernon, CA.

2. Principal is required under the terms of the Contract— and all contract documents referenced in it ("Contract Documents")— after completion of the Work and before the filing and recordation of a Notice of Completion for the Work, to furnish a bond to secure claims for Maintenance equal to ten percent (10%) of the total amount of the Contract which shall hold good for a period of one (1) year from the date the City's Notice of Completion and Acceptance of the Work is filed with the County Recorder, to protect the City against the result of faulty material or workmanship during that time.
3. The Contract and Contract Documents, including all their amendments and supplements, are incorporated into this Bond and made a part of it by this reference.

OBLIGATION:

THEREFORE, for value received, We, Principal and

(Name, address, and telephone of Surety)

("Surety"),

a duly admitted surety insurer under California's laws, agree as follows:

By this Bond, We jointly and severally obligate and bind ourselves, and our respective heirs, executors, administrators, successors, and assigns to pay City the penal sum of _____ Dollars (\$ _____) ("the Bonded Sum"), this amount comprising not less than ten percent (10%) of the total Contract Sum, in lawful money of the United States of America.

The California Licensed Resident Agent for Surety is:

(Name, address, and telephone)

Registered Agent's California Department of Insurance License No. _____.

THE CONDITION OF THIS BOND'S OBLIGATION IS THAT if the said Principal or any of his or her or its subcontractors, or the heirs, executors, administrators, successors, or assigns or assigns of any, all, or either of them, shall fail to execute within a reasonable amount of time, or fail to respond within seven (7) days with a written schedule acceptable to the City for same, repair or replacement of any and all Work, together with any other adjacent Work which may be displaced by so doing, that proves to be defective in its workmanship or material for the period of one (1) year (except when otherwise required in the Contract to be for a longer period) from the date the City's Notice of Completion and Acceptance, or equivalent, is filed with the County Recorder, ordinary wear and tear and unusual abuse or neglect excepted with respect to such Work and labor, the Surety herein shall pay for the same, in an amount not exceeding the sum specified in this Bond.

1. When City declares that Principal is in default under the Contract, or Contract Documents, or both, Surety shall promptly remedy the default using a procurement methodology approved by City, select a contractor or contractors— acceptable to City to complete all of the Work, and arrange for a contract between the contractor(s) and City. Surety shall make available sufficient funds to pay the cost of repair or replacement of any and all Work and to pay and perform all obligations of Principal under the Contract and Contract Documents— including other costs and damages for which Surety is liable under this Bond except that Surety's total obligation, as described here, will not exceed the Bonded Sum.

2. Should the condition of this bond be fully performed, then this obligation shall become null and void, otherwise it shall be and remain in full force and effect.
3. Surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of said Contract or to the Work to be performed thereunder or the specifications accompanying the same shall in any manner affect its obligations on this bond, and it does hereby waive notice of any such change, extension, alteration, or addition.
4. Surety's obligations under this Bond are separate, independent from, and not contingent upon any other surety's guaranteeing Principal's faithful performance of the Work.
5. No right of action accrues on this Bond to any entity other than City or its successors and assigns.
6. If an action at law or in equity is necessary to enforce or interpret this Bond's terms, Surety must pay, in addition to the Bonded Sum, City's reasonable attorneys' fees and litigation costs, in an amount the court fixes.
7. Surety shall mail City written notice at least 30 days before: (a) the effective date on which the Surety will cancel, terminate, or withdraw from this Bond; or (b) this Bond becomes void or unenforceable for any reason.
8. Death of the Principal shall not relieve Surety of its obligations hereunder.

On the date set forth below, Principal and Surety duly executed this Bond, with the name of each party appearing below and signed by its representative(s) under the authority of its governing body.

Date: _____
PRINCIPAL:

SURETY:

(Company Name)

(Company Name)

(Signature)

(Signature)

By: _____
(Name)

By: _____
(Name)

Its: _____
(Title)

Its: _____
(Title)

Address for Serving Notices or Other Documents:

Address for Serving Notices or Other Documents:

CORPORATE SEAL

CORPORATE SEAL

- THIS BOND MUST BE EXECUTED IN DUPLICATE.
- EVIDENCE MUST BE ATTACHED OF THE AUTHORITY OF ANY PERSON SIGNING AS ATTORNEY-IN-FACT.
- THE ATTORNEY-IN-FACT'S SIGNATURE MUST BE NOTARIZED.
- A CORPORATE SEAL MUST BE IMPRESSED ON THIS FORM WHEN THE PRINCIPAL, OR THE SURETY, OR BOTH, ARE A CORPORATION.

APPROVED AS TO SURETY & AMOUNT OF BONDED SUM:

APPROVED AS TO FORM:

By _____
General Manager of Public Utilities

By _____
City Attorney

BOND ACKNOWLEDGMENT
FOR
SURETY'S ATTORNEY-IN-FACT

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On this _____ day of _____, 20____,
before me, _____(name), a Notary Public for said County, personally
appeared _____(name), who proved to me on the basis of
satisfactory evidence to be the person whose name is subscribed to this instrument as the attorney in fact of
_____, and acknowledged to me that he/she subscribed the
name of _____ thereto as principal, and his/he own name as
attorney in fact.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true
and correct.

Notary Public

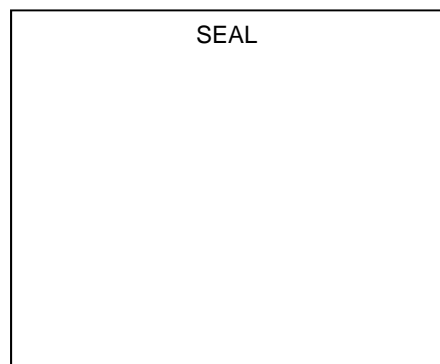


EXHIBIT 4

INSURANCE REQUIREMENTS

1.0 REQUIRED INSURANCE POLICIES

At its own expense, Contractor shall obtain, pay for, and maintain – and shall require each of its Subcontractors to obtain and maintain – for the duration of the Agreement, policies of insurance meeting the following requirements:

A. Workers' Compensation/Employer's Liability Insurance shall provide workers' compensation statutory benefits as required by law.

1. Employer's Liability insurance shall be in an amount not less than:
 - (a) ONE MILLION DOLLARS (\$1,000,000) per accident for bodily injury or disease;
 - (b) ONE MILLION DOLLARS (\$1,000,000) per employee for bodily injury or disease; and
 - (c) ONE MILLION DOLLARS (\$1,000,000) policy limit.

B. Commercial General Liability ("CGL") (primary). City and its employees and agents shall be added as additional insureds, not limiting coverage for the additional insured to "ongoing operations" or in any way excluding coverage for completed operations. Coverage shall apply on a primary, non-contributing basis in relation to any other insurance or self-insurance, primary or excess, available to City or any employee, representative or agent of City. Coverage shall not be limited to the vicarious liability or supervisory role of any additional insured. Coverage shall contain no contractors' limitation or other endorsement limiting the scope of coverage for liability arising from explosion, collapse, or underground property damage.

1. CGL insurance must not be written for less than the limits of liability specified as follows:
 - (a) ONE MILLION DOLLARS (\$1,000,000) per occurrence for bodily injury (including accidental death) to any one person;
 - (b) ONE MILLION DOLLARS (\$1,000,000) per occurrence for personal and advertising injury to any one person;
 - (c) ONE MILLION DOLLARS (\$1,000,000) per occurrence for property damage; and
 - (d) TWO MILLION DOLLARS (\$2,000,000) general aggregate limit.
2. CGL insurance must include all major divisions of coverage and must cover:
 - (a) Premises Operations (including Explosion, Collapse, and Underground ["X,C,U"] coverages as applicable);
 - (b) Independent Contractor's Protective;
 - (c) Independent Contractors;
 - (d) Products and Completed Operations (maintain same limits as above until five (5)

years after recordation of Notice of Completion)

- (e) Personal and Advertising Injury (with Employer's Liability Exclusion deleted);
- (f) Contractual Liability (including specified provision for Contractor's obligation under Article 11 of the General Conditions); and
- (g) Broad Form Property Damage.

- 3. Umbrella or Excess Liability Insurance (over primary), if provided, shall be at least as broad as any underlying coverage. Coverage shall be provided on a "pay on behalf" basis, with defense costs payable in addition to policy limits. There shall be no cross liability exclusion and no contractor's limitation endorsement. The policy shall have starting and ending dates concurrent with the underlying coverages. The Named Insured may determine the layering of primary and excess liability insurance provided that if such layering differs from that described here, the actual coverage program meets the minimum total required limits and complies with all other requirements listed here.

C. Business Automobile Liability Insurance

- 1. Business Automobile Liability Insurance must cover all vehicles, whether rented, leased, hired, scheduled, owned or non-owned. If Contractor does not own any vehicles, this requirement may be satisfied by a non-owned vehicle endorsement to the general and umbrella liability policies. Business Automobile Liability Insurance coverage amounts shall not be less than the following:
 - (a) ONE MILLION DOLLARS (\$1,000,000) per occurrence for bodily injury (including accidental death) to any one person; and
 - (b) ONE MILLION DOLLARS (\$1,000,000) per occurrence for property damage; or
 - (c) ONE MILLION DOLLARS (\$1,000,000) combined single limit.

D. Contractors Pollution Liability Insurance (CPL)

- 1. Contractor or Subcontractor shall obtain, pay for, and maintain for the duration of the Contract Contractors Pollution Liability insurance that provides coverage for liability caused by pollution conditions arising out of the operations of the Contractor. Coverage shall be included on behalf of the insured for covered claims arising out of the actions of independent contractors. If the insured is using Subcontractors, the policy must include work performed "by or on behalf" of the insured.
- 2. The policy limit shall provide coverage of no less than one million dollars (\$1,000,000) per claim and in the aggregate. Coverage shall apply to bodily injury; property damage, including loss of use of damaged property or of property that has not been physically injured; cleanup costs; and costs of defense, including costs and expenses incurred in the investigation, defense, or settlement of claims.
- 3. All activities contemplated in the Contract shall be specifically scheduled on the CPL policy as "covered operations." In addition, the policy shall provide coverage for the hauling of waste from the Project site to the final disposal location, including non-owned disposal sites.
- 4. The policy shall specifically provide for a duty to defend on the part of the insurer. City, its

officers, employees and agents shall be added to the policy as additional insureds by endorsement.

2.0 GENERAL REQUIREMENTS—ALL POLICIES

A. Qualifications of Insurer. At all times during the term of this Contract, Contractor's insurance company must meet all of the following requirements:

1. "Admitted" insurer by the State of California Department of Insurance or be listed on the California Department of Insurance's "List of Surplus Line Insurers" ("LESLI");
2. Domiciled within, and organized under the laws of, a State of the United States; and
3. Carry an A.M. Best & Company minimum rating of "A:VII".

B. Continuation Coverage. For insurance coverages that are required to remain in force after the Final Payment, and if reasonably available, Contractor shall submit to City, with the final Application for Payment, all certificates and additional insured endorsements evidencing the continuation of such coverage.

C. Deductibles or Self-Insured Retentions. All deductibles or self-insured retentions are subject to City's review and approval, in its sole discretion.

D. Commercial General Liability and Business Automobile insurance policies must be written on an "occurrence" basis and must add the City of Vernon and its officers, agents, employees and representatives as additional insureds.

E. Contractor's Insurance Primary. Other insurance (whether primary, excess, contingent or self-insurance, or any other basis) available to City, or its representatives, or both, is excess over Contractor's insurance. City's insurance, or self-insurance, or both, will not contribute with Contractor's insurance policy.

F. Waiver of Subrogation. Contractor and Contractor's insurance company waive— and shall not exercise— any right of recovery or subrogation that Contractor or the insurer may have against City, or its representatives, or both.

G. Separation of Insureds. Contractor's insurance policy applies separately to each insured or additional insured who is seeking coverage, or against whom a claim is made or suit is brought, except that the naming of multiple insureds will not increase an insurance company's limits of liability.

H. Claims by Other Insureds. Contractor's insurance policy applies to a claim or suit brought by an additional insured against a Named Insured or other insured, arising out of bodily injury, personal injury, advertising injury, or property damage.

I. Premiums. City is not liable for a premium payment or another expense under Contractor's policy

J. At any time during the duration of this Contract, City may do any one or more of the following:

1. Review this Agreement's insurance coverage requirements;
2. Require that Contractor obtain, pay for, and maintain more insurance depending on City's assessment of any one or more of the following factors:
 - (a) City's risk of liability or exposure arising out of, or in any way connected with, the services of Contractor under this Agreement;

(b) The nature or number of accidents, claims, or lawsuits arising out of, or in any way connected with, the services of Contractor under this Agreement; or

(c) The availability, or affordability, or both, of increased liability insurance coverage.

3. Obtain, pay for, or maintain a bond (as a replacement for an insurance coverage) from a California corporate surety, guaranteeing payment to City for liability, or costs, or both, that City incurs during City's investigation, administration, or defense of a claim or a suit arising out of this Agreement; or

K. Contractor shall maintain the insurance policy without interruption, from the Project's commencement date to the Final Payment date, or until a date that City specifies for any coverage that Contractor must maintain after the Final Payment.

L. Contractor shall not allow any insurance to expire, cancel, terminate, lapse, or non-renew. Contractor's insurance company shall mail City written notice at least thirty (30) days in advance of the policy's cancellation, termination, non-renewal, or reduction in coverage and ten (10) days before its insurance policy's expiration, cancellation, termination, or non-renewal, Contractor shall deliver to City evidence of the required coverage as proof that Contractor's insurance policy has been renewed or replaced with another insurance policy which, during the duration of this Agreement, meets all of this Agreement's insurance requirements.

M. At any time, upon City's request, Contractor shall furnish satisfactory proof of each type of insurance coverage required— including a certified copy of the insurance policy or policies; certificates, endorsements, renewals, or replacements; and documents comprising Contractor's self-insurance program— all in a form and content acceptable to the City Attorney or City's Risk Manager.

N. If Contractor hires, employs, or uses one or more Subcontractor(s) to perform work, services, operations, or activities on Contractor's behalf, Contractor shall ensure that the Subcontractor complies with the following.

1. Meets, and fully complies with, this Agreement's insurance requirements; and
2. Furnishes City at any time upon its request, with a complete copy of the Subcontractor's insurance policy or policies for City's review, or approval, or both. Failure of City to request copies of such documents shall not impose any liability on City, or its employees.

O. Contractor's failure to comply with an insurance provision in this Agreement constitutes a material breach upon which City may immediately terminate or suspend Contractor's performance of this Agreement, or invoke another remedy that this Agreement or the law allows. At its discretion and without waiving any other rights it may have pursuant to law, City has the right but not a duty to obtain or renew the insurance and pay all or part of the premiums. Upon demand, Contractor shall repay City for all sums or monies that City paid to obtain, renew, or reinstate the insurance, or City may offset the cost of the premium against any sums or monies that City may owe Contractor.

3.0 CONTRACTOR'S SUBMITTAL OF CERTIFICATES AND ENDORSEMENTS

A. Contractor shall have its insurance carrier(s) or self-insurance administrator(s) complete and execute the following insurance documents and shall deliver said documents at the same time Contractor delivers this Agreement to City. City will neither sign this Agreement nor issue a "Notice to Proceed" until the City Attorney or City's Risk Manager has reviewed and approved all insurance documents. City's decision as to the acceptability of all insurance documents is final. Sample insurance documents in the City's approved format are set forth in this 4.

B. Required Submittals for Commercial General Liability and Business Automobile Insurance and

Contractor's Pollution Liability Insurance. The following submittals must be on forms satisfactory to the City Attorney or City's Risk Manager, and signed by the insurance carrier or its authorized representative – which fully meet the requirements of, and contain provisions entirely consistent with, all of the insurance requirements set forth herein.

1. "Certificate of Insurance"
2. "Additional Insured Endorsement"
3. Subrogation Endorsement: "Waiver of Transfer to Rights of Recover Against Others"

Both Certificates of Insurance and Additional Insured Endorsements must read as follows: "The City of Vernon, and its officers, agents, employees and representatives are included as additional insureds under the policy(s). This insurance is primary to all other insurance of the City. The City's insurance and self-insurance will apply in excess of, and will not contribute with this insurance. This insurance applies separately to each insured or additional insured who is seeking coverage, or against whom a claim is made or a suit is brought. The issuing company shall mail thirty (30) days advance notice to the City for any policy cancellation, termination, non-renewal, or reduction in coverage."

C. Required Submittals for Workers' Compensation Insurance. Contractor shall provide City with a certificate of insurance and a subrogation endorsement on forms satisfactory to the City Attorney or City's Risk Manager, and signed by the insurance carrier or its authorized representative – which fully meet the requirements of, and contain provisions entirely consistent with, this Contract's workers compensation insurance requirements. If Contractor is self-insured for workers' compensation, a copy of the "Certificate of Consent to Self-insure" from the State of California is required; or if Contractor is lawfully exempt from workers' compensation laws, an "Affirmation of Exemption from Labor Code §3700" form is required.

D. Required Evidence of Builder's Risk Coverage. City will provide a certificate of insurance and a declarations page on a form satisfactory to the City Attorney or City's Risk Manager, and signed by the insurance carrier or its authorized representative. The policy terms must fully meet the requirements of, and contain provisions entirely consistent with, all of the insurance requirements set forth herein. The City shall be named as a loss payee on the insurance policy for the full replacement value of all buildings, structures, fixtures and materials to be constructed, maintained, repaired or supplied pursuant to this Contract.

E. Contractor agrees to monitor and review all such coverage and assumes all responsibility for ensuring that all required coverage is provided. Contractor agrees to obtain certificates evidencing such coverage.

F. Contractor agrees to provide immediate notice to City of any claim or loss against Contractor that includes City or any other indemnitee as a defendant. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

G. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any contractor or subcontractor.

H. Any "self-insured retention" must be declared and approved by City. City reserves the right to require the self-insured retention to be eliminated or replaced by a deductible. Self-funding, policy fronting or other mechanisms to avoid risk transfer are not acceptable. If Contractor has such a program, Contractor must fully disclose such program to City.

EXHIBIT 5

Statement of Intent to Comply with Minimum Requirements of the Stormwater Permit

CITY OF VERNON

Public Utilities Department

Construction Stormwater Program

Permit Number: _____ Date: _____

Applicant: _____ Phone: _____

Project Address: _____

Property Owner: _____

Contractor: _____

Contractor's Address: _____

The National Pollutant Discharge Elimination System (NPDES) is a portion of the Clean Water Act that applies to the protection of receiving waters. Under permits from the Los Angeles Regional Water Quality Control Board (RWQCB), certain activities are subject to RWQCB enforcement. To meet the standards of the Waste Discharge Requirements for Municipal Separate Storm Sewer System (MS4) Discharges within the Coastal Watershed of Los Angeles County, Except those Discharges Originating from the City of Long Beach MS4 (CAS004001), the City of Vernon has adopted minimum standards for stormwater runoff from development construction activities.

These minimum standards require the implementation of an effective combination of erosion and sediment control Best Management Practices (BMPs) to prevent erosion and sediment loss, and the discharge of construction waste at each site. At a minimum, the construction activity associated with the construction project identified above shall be conducted in such a manner that:

- Prevents illicit construction-related discharges of pollutants into the MS4 and receiving waters.
- Implements and maintains structural and non-structural BMPs to reduce pollutants in stormwater runoff from construction sites.
- Reduces construction site discharges of pollutants to the MS4 to the maximum extent practicable.
- Prevents construction site discharges to the MS4 from causing or contributing to a violation of water quality standards.

Note: The Stormwater BMP Construction Handbook sheets developed by the California Stormwater Quality Association shall be used as guidance in determining and implementing required BMPs. The BMP sheets may be reviewed at the Public Works counter during regular business hours. A General Construction Permit shall be obtained and maintained for all construction sites one (1) acre or greater. Additional conditions may be required for these sites.

I have read and understand the requirements listed above and certify that I will comply with the minimum requirements above.

Signature: _____ Print Name: _____

Title: _____

Property Owner: _____

EXHIBIT B
SPECIAL PROVISIONS
SPECIFIC FOR THIS PROJECT

EXHIBIT B

SPECIAL PROVISIONS – SPECIFIC FOR THIS PROJECT

1.0 GENERAL

B-1.01 Purpose and Scope

The purpose of this document is to provide detailed technical specifications for the rehabilitation, redevelopment, testing and equipping of Well No. 17, which is owned and operated by the City of Vernon Public Utilities Department, hereinafter referred to as “City.” The project site is located at 4355 Downey Road in Vernon, California (see Figure 1 of Attachment 2). The well is used as a municipal potable water supply.

The contractor shall furnish all labor, materials, equipment, services, and specialized skills to perform all Work involved in the Project. The Work in the Schedule of Bid Prices is defined in the Technical Provisions and the Project Drawings, if so provided, and will generally include the following:

Phase I: Retrofitting the existing pedestal to at least eighteen inches above grade which includes construction of a new concrete pedestal, extension of the well’s casing, raising of all related appurtenances to match the new well height, construction of a new concrete pad around the base of the pedestal, and adequate sloping of the ground away from the well in the area immediately surrounding the pedestal. The technical specifications and drawings to retrofit the existing pedestal and to slope the ground can be found on Attachment 1 - Technical Specifications for Well No. 17 Pedestal Retrofit.

Phase II: Cleaning and Redevelopment of the well including wire brushing, airlifting, bailing, performing AirBurst™, video surveying, chemical treatment, redevelopment, and pump testing. All Work is to be conducted in strict conformance to the Technical Provisions. A technical memorandum was prepared by a Hydrogeologist and is included as Attachment 2. The memorandum shall be used as a reference to the Technical Provisions for rehabilitation of the well.

Phase III: Equipping Well No. 17 with a new pump, motor, and appurtenances to pump water directly into the City’s distribution system. New sounding tubes and transducer lines shall be installed to provide real-time static and pumping water levels and to allow access for various dynamic tools.

B-1.02 Permits and Applicable Laws

At Contractor’s own expense, Contractor shall procure all necessary permits, certificates, and licenses required of Contractor by law for execution of the Work. Contractor shall comply with all federal, state, and local laws, ordinances, and rules and regulations relating to the performance of the Work. The contractor shall be required to abide by any and all applicable permits and laws from regulatory and governmental agencies at all times during execution of the

Work and, specifically, for discharge of water during the various testing phases, including all requirements of the Regional Water Quality Control Board and the City's National Pollutant Discharge Elimination System (NPDES) Permit.

All equipment used by the contractor and its subcontractors during the execution of the Work shall be appropriately permitted and/or registered with the California Air Resources Board (CARB) and the South Coast Air Quality Management District (SCAQMD). Upon request, proof of these requirements shall be submitted to the City's representative(s).

B-1.03 Boundary of Work

Well No. 17 is located at 4355 Downey Road in Vernon, California. Details of the site can be seen on Attachment 2. The site is accessible through a passcode-protected security gate. During construction hours, the contractor will be granted access to the well site. Other contractors, employees and/or agents of the City may, for any reason and at any time, enter upon the project site.

B-1.04 Protection of Site, Disposal and Control of Waste Water

Well rehabilitation, redevelopment, and testing activities shall be conducted in such a way as to prevent the introduction of pollutants to the ground surface or off-site drainages during the Work. Accordingly, any equipment and/or materials brought to the project site must be managed in accordance with the following procedures:

- a) Drip pans and/or plastic sheeting that is bermed must be used under all stationary equipment to catch leaks and residual material in hoses and spigots. The plastic sheeting and/or drip pans must be inspected by Contractor daily and emptied or replaced as needed by reusing the substance or disposing of it properly at the contractor's expense.
- b) Spilled hazardous materials must be contained immediately, in accordance with all laws and regulations, using sand, dirt, and/or other absorbent materials. Such spills must be cleaned up promptly along with the containing materials/agents and must be disposed of properly at the contractor's expense.
- c) Outdoor storage of all fuels, oils, solvents, cleaners, and other liquid materials shall be stored with secondary containment. Such areas should be covered, as necessary, to prevent storm water accumulation in the containment.
- d) Bentonite, cement, and any other powdered products shall be stored on pallets and away from all drainage paths. The storage area should be covered and protected, if necessary, to prevent pollution runoff by wind or storm water.
- e) Chemicals, bagged material, and drums shall be stored on pallets with secondary containment.

Waste Products generated during the Work must be managed in accordance with the following procedures:

- a) Containerized waste must not be allowed to overflow. Any waste that requires storage in containers shall be removed from the project area on a regular basis and disposed of at an approved facility at the contractor's expense.

- b) Cleaning of the pump hoist, tremie pipe, and any other equipment shall be conducted within a fully contained area and within the area of the well site only. Any deviation must be approved by the City in advance.
- c) All waste products must be removed from the project area prior to completion of the Work.

The use and maintenance of pump equipment and support vehicles shall be in accordance with the following procedures:

- a) Fueling of vehicles or equipment that can be moved to a commercial fueling station is not allowed.
- b) Fueling of vehicles or equipment cannot be filled at a commercial fueling station must be performed only at designated areas on site. During fueling operations, drip pans or bermed plastic sheeting must be used to catch leaks. "Topping off" of fuel tanks is not allowed.
- c) Daily inspection of pump rigs, support vehicles and other equipment must be conducted. Any leaks detected shall be reported to the City and addressed immediately.
- d) All Contractor employees and subcontractors shall be educated in the proper handling and storage of construction materials used during the project.

The contractor shall protect-in-place all pipelines, trees, landscaping, curbs, and all other existing improvements located within the public right-of-way throughout the duration of the Work. The contractor shall use Best Management Practices (BMPs) for the protection of the well site during the Work and shall take whatever measures necessary to ensure that Contractor's activities do not impact surrounding areas.

Disposal of all waste materials shall be conducted by such manner and transported to such locations that nuisance or damage to the environment, structures, roads, utilities, and interference with other construction projects will be prevented. The discharge location of waste water shall be provided and approved by the City. All costs incurred in the disposal of wastewater and removal of solid materials shall be at the contractor's expense. All costs involved with temporary containment, conveyance, and monitoring of fluids generated during testing shall be at the contractor's expense.

B-1.04.1 Erosion Control

If necessary, the Contractor shall install erosion control measures and devices to prevent worksite storm runoff and/or fluids from leaving the site. Under no circumstances shall water from any source related to the Work or storm runoff be allowed to leave the site other than through proper disposal under the NPDES discharge permit. At the end of the Work, the Contractor shall properly dispose of all erosion control devices, if any, at an appropriate location.

B-1.04.2 Control of Discharged Waters

The contractor shall provide all pipeline, facilities, and appurtenances for discharging pumped water from the well site. The contractor shall conform to all waste discharge requirements imposed on the City by the California Regional Water Quality Control Board, Los Angeles Region and per the NPDES Permit. All actions necessary to conform to these requirements shall

be performed by the contractor as a part of the construction contract, and all expenses thereof shall be considered to be included within the various bid items.

The City shall be notified five days prior to commencement of any work requiring the discharge of well water in excess of 100,000 gallons. The contractor shall connect all necessary temporary piping from the well to the catch basin for disposal of the development and testing water.

The contractor shall obtain approval from the City's project engineer, hereinafter referred to as "Engineer," before proceeding with any alternative water discharge methods. It is the contractor's responsibility to obtain all permits and meet all requirements necessary. The contractor shall be responsible for all costs related to water discharge and no additional compensation shall be paid to Contractor for any alternative water discharge methods.

B-1.05 Site Security

The contractor shall make adequate provisions for the protection of the work area and the well against fire, theft, and vandalism as well as for the protection of the public against exposure to injury.

The contractor shall bear the responsibility for protection of equipment and material on the worksite. During nighttime hours, weekends, holidays, and all other times when no work is being performed at the site, the contractor may wish to provide temporary enclosures and/or security services to protect the site for the contractor's own benefit and at Contractor's own expense.

B-1.06 Temporary Water Meter

If necessary, the contractor shall obtain a temporary water meter from the City of Vernon Water Division by first contacting the Water Superintendent and then placing a deposit of \$800.00 with the Customer Service Department. The contractor shall pay for all water used. All water shall be metered and carefully conserved. An allowance for the direct cost of water usage has been identified. Contractor must provide proof of payment to be compensated for water used. No markup will be allowed. The contractor shall not relocate the temporary meter service. If Contractor needs to relocate the temporary meter service, Contractor shall call the City of Vernon Water Division to relocate the service and will be charged a \$50.00 relocation fee.

B-1.07 Safety of Personnel and Field Equipment

The contractor shall ensure that its personnel are properly trained in the handling, use, and storage of hazardous materials (e.g., oxidizers and acids), and shall have proper safety equipment (in addition to basic personal protective equipment) on the worksite at all times when handling hazardous materials.

The following safety measures shall be implemented by Contractor personnel at all times. All work shall take place with adequate ventilation. All workers shall be required to wash with soap and water after handling chemicals and prior to eating, drinking, smoking, or using sanitary facilities. The contractor shall ensure adequate water supply onsite at all times to flush skin and eyes in case of accidental chemical spills. Required onsite safety equipment/supplies shall consist of, but is not limited to, the following:

- a) Hard hat,
- b) Water resistant steel-toed boots,
- c) Impact resistant safety goggles,
- d) Safety vest,
- e) Gloves,
- f) Tyvek suits and respirators with acid and VOC cartridges (as required), and
- g) Emergency eye-wash station (as required).

In addition, the contractor shall provide Environmental Protection Agency (EPA)-approved field monitoring equipment for the following:

- a) pH (range 0-14 units). A field meter is required. The use of pH strips is not acceptable and may only be used to independently verify the accuracy of the field meter;
- b) Residual chlorine [range 0-3 milligrams per liter (mg/L) and 0-200 mg/L];
- c) Electrical conductivity;
- d) Temperature;
- e) Total suspended solids (TSS). Note that field TSS measurements are not acceptable for monitoring compliance with NPDES discharge requirements. Only laboratory results are acceptable for discharge compliance monitoring.
- f) Sand content (Imhoff cones and Rossum Sand Tester); and
- g) Turbidity meter (range 0-1000 NTU).

2.0 PHASE I – Pedestal Retrofit

B-2.01 Pedestal Retrofit

Technical Specifications and Plans for the Well No. 17 Pedestal Retrofit can be found in Attachment 1.

3.0 PHASE II – Cleaning, Redevelopment, and Test Pumping

B-3.01 Well Rehabilitation

The contractor shall use only modern-day equipment, materials, and testing technology for the rehabilitation and testing of Well No. 17 and shall provide experienced personnel. Prior to commencement of rehabilitation and testing, all equipment supplied by the contractor shall be certified by the contractor to be suitable for the specified operation. The replacement of any equipment later found to be unsuitable shall be at the contractor's expense.

All equipment intended for use may be inspected by the City's representative(s) prior to mobilization at the site or at any time thereafter in order to ensure that it is adequate and acceptable for the Work.

B-3.02 Required Equipment

At the pre-construction meeting, the contractor shall furnish a complete list of equipment which Contractor proposes to use in the performance of the Work. The Work shall not proceed until the Engineer is satisfied that the listed equipment is adequate for the Work and that it will be at the site when necessary. Contractor shall certify that all equipment has been checked and is in good mechanical condition prior to delivery to the worksite. The required list of equipment shall include, but is not limited to, the following:

- a) Cable-tool rig or pump hoist equipped with walking beam and support equipment;
- b) Pump hoist for pump removal / installation, including support equipment and tools;
- c) Type and diameter of nylon, polypropylene, or wire brushes to be used;
- d) Type and manufacturer of all chemicals to be used during well rehabilitation (all chemicals shall be National Sanitation Foundation [NSF] / American National Standards Institute [ANSI] Standard 60-certified as drinking water treatment chemicals);
- e) Specifications for the dual-swab assembly;
- f) Air compressor pressure and cubic feet per minute (cfm) ratings;
- g) Test pumping equipment including a variable speed engine with size and type of motor, pump bowl assembly, and column pipe (test pumping equipment must be capable of meeting all pumping requirements to perform rehabilitation as described herein);
- h) Discharge measuring device(s); and
- i) Water level measuring device(s).

B-3.03 Downhole Video Survey

A total of three detailed dual-scan downhole videos will need to be performed. The video survey must be conducted using equipment that includes a high-resolution color camera with side-scan capability. The survey must clearly show, throughout the entire depth of the well, the casing and perforation locations. The video survey shall include a real-time monitor which records the camera depth readout superimposed on the video picture. Copies of videos and one-page summary reports shall be provided to the Engineer immediately after completion. A digital copy of all videos shall be provided to the City in one of the following formats: .mov, .mp4, or .mpg.

All videos shall be clearly visible. If visibility is poor, the contractor shall use NSF 60-certified additives to settle out particles in order to obtain a clear video of the well casing and perforation locations. The Contractor shall re-run the video survey at Contractor's own expense.

The required videos are described below:

PRE-CLEANING VIDEO

A detailed downhole video survey was conducted for Well No. 17. The video is available upon request.

POST-CLEANING VIDEO

After initial wire brushing and airlifting of sediment fill and debris from the bottom of the well, a video survey must be conducted to observe the section of louvers that were previously covered/buried.

POST MECHANICAL DEVELOPMENT VIDEO

Following mechanical development, a second video survey shall be conducted to check the physical condition of the casing.

FINAL VIDEO SURVEY

Following test pumping, a final video survey shall be performed. The video shall be a static (non-pumping) spinner survey to determine the ambient flow in the well.

All labor, equipment, and material costs necessary to provide the dual-scan video surveys shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.04 Well Redevelopment Plan

Prior to redeveloping the well, Contractor shall provide the Engineer a Well Redevelopment Plan that will accomplish the recommendations listed in Attachment 2. Unless otherwise not allowed, the contractor's methods may deviate slightly from the processes listed below and methods listed in the Technical Provisions. Once the Well Redevelopment Plan is approved, the work may proceed. The Well Redevelopment Plan must demonstrate professional judgement and all Work described therein must be in accordance with industry standard methods and practices.

B-3.04.1 Initial Brushing and Airlifting Procedure (Pre-Clean)

Prior to pre-cleaning, accumulated sediments, debris, and any turbine pump oil must be removed from the bottom of the well by airlifting, as completely as practicable, to a maximum approximate depth of 1,550 feet below ground surface (bgs). Any additional materials that may accumulate at the bottom of the well following the brushing procedure outlined below must also be removed as completely as practicable.

A mechanical brushing procedure shall be implemented utilizing a minimum of 3,000-part-per-million (ppm) WaterSolv BC Bio Cleaner, manufactured by HercChemTech, LLC ("HCT"), injected through a tremie pipe at twenty-foot maximum intervals to loosen and dislodge clogging, encrusting, and/or bio-fouling materials. The chemical mixture must not be poured directly into the well casing at the surface. The equipment to perform the brushing operation must either be a cable-tool rig or pump rig equipped with a "spudder" or walking beam. Brushing of the casing and perforated intervals must be conducted in such a way as to provide powerful and effective removal of any scale and biofilm, as well as to exert stresses within the near-well zone, without causing damage to the well.

The brushing tool shall be constructed of spirally-wound steel wire bristles mounted on a weighted core of six- to eight-inch minimum diameter. *Under no circumstances should a steel wire brush be used on wire-wrap well screens.* The body of the brush shall be approximately ten feet in length, and the brushes shall be attached to the weighted core in a compact, tightly-wound spiral bundle. The diameter of the brush must not be more than a half-inch larger than the inside

diameter (ID) of the well casing. Attachment 2 contains information regarding Well No. 17's construction. The brush shall be designed to fit snugly within the casing and screen so that an effective cleaning action can be achieved. Extreme care should be taken during the brushing operation to ensure that the integrity of the casing is not compromised. At a minimum, an amount of time equaling approximately two minutes per 10 feet of wetted casing (i.e., the wetted interval) per pass, for a total of 4 passes, shall be used during the brushing operation. The wetted interval is the distance from the static water level to the bottom of the well. The weighted brushes shall be attached to the sand line cable of a cable-tool drilling rig with a walking beam so that the brush can be progressively raised and lowered throughout the entire depth of the well (from static water level to total depth). The equipment shall be able to continually feed out the sand line cable, in a controlled and effective manner, as the brush descends within the well. The well shall be brushed vigorously (but with extreme care) to dislodge bulk scale and biological materials, starting at the bottom of the well and working upward.

Following the brushing procedure, any materials which have accumulated at the bottom of the well must be removed as completely as practicable. All airlifted materials shall be contained, removed from the site and disposed of in a lawful manner; no fluid runoff is allowed.

All labor, equipment, and material costs for the brushing and removal of the accumulated material shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor. Time used for setup and removal of equipment, and any other work related to this bid item, should be included in the bid item quantity and no additional compensation will be paid to Contractor therefor.

The post-cleaning video must be conducted after wire brushing and airlifting the accumulated sediment.

B-3.04.2 Casing Inspection Thickness Measurement

After initial brushing and airlifting, a Casing Inspection Thickness Measurement (CITM) survey of the blank and louvered portions of the well casing must be performed. This survey must provide information on the current wall thickness of the CorTen steel and could be used to help identify possible areas of the blank and louvered casing where corrosion may have removed some steel mass.

All labor, equipment, and material costs to perform the CITM survey shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.04.3 AirBurst™

Perform AirBurst™ to carefully break up and dislodge any biological growth plugging the louver openings. **No alternatives will be accepted.** Once completed, all materials removed from the well must be removed as completely as feasible by airlifting. All materials removed from the well shall be contained, removed from the site and disposed of in a lawful manner; no fluid runoff is allowed.

All labor, equipment, and material costs for CITM survey and removal of the accumulated material shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.04.4 Chemical Treatment (Bioclean & Descale)

A Chemical Treatment Plan shall be provided to the Engineer no later than one day after completion of the post-wire brushing video. The Chemical Treatment Plan shall contain, at minimum, treatment chemical cleaning agent recommendations, chemical concentrations, application procedures, and processes for the rehabilitation of the well. The Contractor shall perform the well rehabilitation per the Engineer-approved Chemical Treatment Plan.

The cleaning agent used for chemical treatment must be a mixture of hydrogen peroxide (H₂O₂) and an acid-type cleaning mixture, such as HCT's Well Klean II, or approved equal. The cleaning agents must be NSF 60-certified, and must be added to the well per the manufacturer's recommended processes and procedures. The contractor's plan for mixing and introducing chemicals to the well must be discussed with the Engineer prior to the start of any chemical treatment.

DESCALE

The contractor must inject Well Klean II, manufactured by HCT, through a tremie pipe at twenty-foot maximum intervals opposite the perforations. The Well Klean II must be allowed to soak in the well for 72 hours, unless otherwise directed by the Engineer. The chemical mixture must not be poured directly into the well casing at the surface.

All labor, equipment, and material costs for the chemical treatment of the well shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.04.5 Initial Redevelopment by Airlifting and Swabbing

Removal of chemical solutions as well as initial development and cleaning of the gravel pack and aquifer shall be accomplished by airlift pumping and swabbing (using a double-packer swabbing tool) in stages opposite the entire screened interval until the gravel pack is clean and consolidated. Airlift development must begin at the top of the screened interval and proceed downward. Vigorous swabbing is necessary to mechanically dislodge biological material, fine-graded sediments, and drilling fluid from the gravel pack and near-well zone of the aquifer. Simultaneously with the swabbing action, the loosened materials shall be removed from the well by airlifting. Several passes through the screened interval may be required to adequately clean the screened intervals. If the sand content exceeds fifty ppm, an Imhoff cone shall be used by the Contractor to monitor redevelopment progress by measuring the quantity of sand and silt being removed. For sand measurements of quantities less than fifty ppm, a Rossum Sand Tester must be used.

The contractor must spend thirty minutes on each ten-foot interval of screen during the initial downward pass, unless otherwise directed by the Engineer. An additional thirty minutes must be spent on each ten-foot interval of screen during the subsequent pass upward, unless otherwise directed by the Engineer.

The sand content for each interval shall be recorded before going on to the next interval, with the goal of a sand content less than 0.1 ml/L for each interval, or as otherwise approved by the Engineer. The contractor shall be prepared to make additional downward and upward passes through the screen section as approved by the Engineer, in order to achieve acceptable sand levels. The contractor must keep an accurate account of the hours spent airlifting as well as the time and depth interval as it is being airlifted and swabbed.

The contractor must provide an air compressor that is capable of airlifting a minimum of 200 gallons per minute (gpm) (with the depth to static water level as required). The swabbing and airlifting operations shall be conducted simultaneously, over no more than one length of drill pipe, until that section is adequately developed or as directed by the Engineer.

The contractor must take a measurement to the bottom of the well at the completion of the airlifting and swabbing. If more than 3 feet of material is found to be present at the bottom, it must be removed prior to installation of the test pumping equipment.

All labor, equipment, and material costs for swabbing and removal of the accumulated material shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor. Any additional work performed as directed by the Engineer shall be completed at the hourly rate specified in the Schedule of Bid Prices.

The post-mechanical video must be taken after wire brushing and airlifting the accumulated sediment.

B-3.06 Final Well Redevelopment by Pumping

Following initial redevelopment of the well via airlifting and swabbing, the contractor must furnish, install, operate, and remove a deep well turbine pump for final development of the well. Contractor must provide access to the well for spinner survey tools. The contractor must disinfect the development pump (columns and bowls) by swabbing with a strong chlorine solution during installation.

B-3.06.1 Development Pumping Equipment

Within 72 hours of completion of initial development via swabbing and airlifting, the contractor must furnish and install a deep-well turbine pump for final development. The pump and prime mover shall have the appropriate capacity required to properly develop the well. The Contractor should recognize that these anticipated pumping rates provided in these specifications may vary; however, the changes are not expected to be significant. Actual flow rates attained will be dependent upon the production capacity of the well.

The contractor shall furnish and install temporary discharge piping of sufficient size and length for the pumping unit to conduct water for disposal to the appropriate discharge location.

The discharge piping must include adequate orifices, propeller meters, valves, and/or other approved devices, which will accurately measure and control the discharge rate of approximately 1,500 gpm. The pump intake shall be set at a depth of approximately 400 feet bgs. The metering

device must have been certified by the manufacturer within the past six months—proof of which is to be provided to the Engineer prior to mobilization—as having an accuracy of $\pm 5\%$. Additionally, the metering device must have an instantaneous reading device in gallons per minute and a totalizer which will measure the pump discharge rate in gallons. If the accuracy of the flow meter is questioned during development, an independent physical method of flow measurement must be used to check discharge rate. The independent method shall consist of a volumetric measurement of flow by discharging into a tank of known volume (e.g., temporary tank) and measuring the time taken to elevate the water level in the tank in one-foot increments. From such measurements, the discharge rate can be calculated.

A Rossum Sand Tester must be installed in the discharge line to measure the sand concentration during final development and test pumping. Additionally, sampling ports must be made available at the point of discharge to allow for water quality sampling. Daily notes and field measurements must be submitted to the Engineer on a daily basis.

B-3.06.2 Redevelopment Pumping Procedure

Prior to redevelopment via pumping and surging, the contractor must obtain depth-to-water measurements from selected pumping and non-pumping wells in the nearby area.

The initial pumping rate shall be restricted to less than 10% of the maximum anticipated flow rate and, as the water clears, it shall be increased gradually until the maximum rate is reached, or maximum drawdown (i.e., when the pumping water level approaches the top of the screen). The maximum pumping rate will be determined by the Engineer following consideration of drawdown and discharge characteristics as well as daily evaluation of the progress of development. When directed by the City's representative, the pump shall be stopped and the water in the pump column allowed to surge back through the pump bowls and into the perforated area. While pumping and surging, a continuous stream of clear water shall be added to the top of the filter pack (if present).

The cycle of pumping and surging must be repeated until the discharge water is clear and free of sand, silt, and/or mud and until there is no increase in the specific capacity during the last 24 hours of pumping and surging. For the purpose of the Technical Provisions, it is assumed that a maximum of 48 hours of redevelopment by pumping will be required.

Specifically, the contractor must continue development pumping until, in the opinion of the Engineer, the following conditions have been met:

1. A test for sand concentration must be conducted twenty minutes after initiation of pumping, while at the maximum drawdown and discharge rate, as specified by the Engineer. At such time, the sand concentration must be less than 2 mg/L and the average sand concentration must not exceed 2 mg/L for any two-hour cycle. The sand concentration must be measured using a Rossum Sand Tester.
2. There is no increase in the specific capacity with further development.

As development progresses, the Engineer shall monitor progress on a daily basis and shall make the determination as to whether the well is fully developed.

All labor, equipment, and material costs to develop the well through mechanical pumping and surging shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.07 Aquifer Pumping Tests

The contractor must furnish and install all necessary equipment and materials to perform complete pumping tests on the well following development. The test pumping equipment must have a capacity of not less than listed under section B-3.06.1 - Development Pumping Equipment, and must be capable of discharging water into the top of the onsite temporary storage tanks from 400 feet bgs. Discharge water must be conducted through the temporary piping as described in the Technical Provisions and must meet all NPDES Permit requirements. During pumping tests, drawdown (i.e., change in pumping water level from “static” water level conditions) must be measured using an electrical wire line sounder.

The water levels in the well should be allowed to recover for a minimum of 24 hours before performing any pumping tests.

Contractor must record the time of pump startup, pump shutdown, and all interim measurements with reasonable accuracy (+/- 0.5 minutes). Any irregular events (e.g., pump failure and restart) that occur during the pumping tests shall be noted and the time recorded. Should such events occur, the Engineer must be notified and will make a determination as to the validity of the pumping test. If the pumping tests are interrupted due to malfunction of the contractor’s equipment, the pumping test must be repeated at the contractor’s expense.

Prior to starting the constant rate pumping test, Contractor must obtain depth-to-water measurements from select pumping and non-pumping wells in the vicinity. Prior to starting, the contractor must coordinate pumping tests with the City in order to ensure a representative test is obtained. If a suitable nearby well is identified prior to the constant rate pumping test, it shall be used for interference measurements.

During pumping tests, the time intervals between depth-to-water measurements may vary between acceptable limits. The following limits are recommended for the measurement intervals after pump startup and changes in discharge rate:

Time After Beginning of New Discharge Step (Minutes)	Recommended Measurement Interval (Minutes)
1-10	2
10-30	5
30-60	10
60-120	15
120-end	30

B-3.07.1 Test Pumping Equipment

During test pumping, the contractor shall provide an Engineer-approved metering device that is suitable for the range of discharge rates expected for the test pumping as determined during

pumping development. **The test pump shall be capable of 1,500 gpm at a total head of 400 feet.** The metering device must have been certified by the manufacturer within the past six months—proof of which is to be provided to the Engineer prior to mobilization—as having an accuracy of $\pm 5\%$. Additionally, the metering device must have an instantaneous reading device in gallons per minute and a totalizer which will measure the pump discharge rate in gallons. If the accuracy of the flow meter is questioned during development, an independent physical method of flow measurement must be used to check the discharge rate. The independent method shall consist of a volumetric measurement of flow by discharging into a tank of known volume (e.g., temporary tank) and measuring the time taken to elevate the water level in the tank in one-foot increments. From such measurements, the discharge rate can be calculated. The contractor must also provide true and accurate readings and recordings of the pump discharge rate at intervals as directed by the Engineer, however, in no case shall the frequency of the readings and recordings be taken at intervals less than every 30 minutes.

B-3.07.2 Step Drawdown Testing

The contractor must conduct step drawdown tests by pumping the well at a sufficient number of rates (at minimum three) to determine the specific capacity and well efficiency relationships. The maximum rate of discharge is anticipated to be within approximately 1,500 gpm, or the maximum capacity of the well, as directed by the Engineer. Pumping shall continue at each rate for a sufficient length of time in order to bring about a stable water level trend as demonstrated by a semi-logarithmic plot of pumping level versus time. The total duration of the step drawdown tests shall be no more than 6 hours.

Step drawdown data must include the pump discharge rates in gallons per minute, the flow readings from the totalizer, the static water level depth in feet, and the drawdown in feet. The data must be sufficient such that the following may be obtained:

1. A specific capacity diagram showing formation loss and well loss curves for the range of discharge rates tested.
2. A well efficiency diagram corresponding to the range of discharge rates tested.
3. A recommended pumping rate with total dynamic head and depth of pump setting.

B-3.07.3 Constant Rate Pumping Test

In order to predict long-term drawdown effects in the well, the contractor must perform a constant rate pumping test on the well for a period of at least 24 hours at the recommended discharge rate as determined from specific capacity or at another specified rate as directed by the Engineer. **The maximum discharge rate is anticipated to be approximately 1,500 gpm.**

The constant rate test shall be conducted only after recovery from the step drawdown test at the well is complete. The minimum groundwater level recovery time between the step drawdown and constant rate pumping tests is 24 hours. The contractor must not start the constant rate pumping test without prior approval from the Engineer.

The constant rate test data must be sufficient to deduce information regarding aquifer parameters (e.g., transmissivity and storativity) and must include the pump discharge rate in gallons per minute, the total volume in gallons, the static water level in feet, and the drawdown in feet. Near

the completion of the constant rate pumping test, the City will collect water quality samples for analyses. The City will provide all arrangements for laboratory services and adequate bottles for collection of the water quality samples; however, the contractor is responsible for procuring all necessary supplies, materials, and equipment as well as for performing all labor with respect to daily discharge samples for NPDES purposes. The contractor must provide a suitable sample collection port in the discharge line for the collection of water samples for analyses. Following completion of the constant rate test, recovery measurements must be taken for a minimum of four hours at half-hour intervals.

All labor, equipment, and material costs to perform the various pumping tests shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.07.4 Test Pumping Data and Results

All test pumping data must be provided to the Engineer immediately upon completion of all test pumping activities. The City and its hydrogeological consultant will review the data and provide a summary that will include recommendations for final pumping rate and depth setting for permanent pump equipment.

B-3.08 Spinner Surveys

A spinner flowmeter is a downhole logging device that quantifies the amount of flow contributed from specific intervals within the well screen. The flow is measured electronically based on the speed of rotation of an impeller in the fluid stream and the effective velocity of the fluid.

The spinner surveys shall be conducted by a subcontractor retained by the contractor and approved by the City. The spinner surveys must include analysis and interpretation of the log results by the logging company. No additional compensation will be due to Contractor for either rig time or standby time while logging is being performed, nor while the contractor is waiting on its subcontractor. The contractor must provide all assistance necessary in order for its subcontractor to adequately perform the logs within the well casing.

The surveys shall be conducted in the presence of the City's representative. The contractor must provide two copies of the surveys to the Engineer, in CD or USB format, immediately upon completion and at no additional cost. Spinner surveys shall also be provided to the Engineer in .MP4 electronic format. Additionally, the contractor must provide analysis/interpretation of the spinner surveys to the City within seven days of conducting the survey. Analysis/interpretation shall be provided to the Engineer in .DXF and .PDF electronic formats.

The spinner surveys must be conducted throughout the entire depth of the well screen. For the purpose of the Technical Provisions, the perforated interval is defined as the lineal distance between the top of the uppermost screen to the bottom of the lowermost screen. The spinner surveys must be continuous and must traverse the complete perforated interval irrespective of the fact that, in some cases, the perforated interval may consist of embedded sections of blank casing.

All labor, equipment, and material costs to perform the pumping and non-pumping spinner surveys shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-3.08.1 Dynamic Spinner Survey During Constant Rate Pumping Test

The dynamic spinner survey must be performed during the last several hours of the constant rate pumping test. Access to the lower portion of the well, past the pump, shall be provided by appropriately-sized rigid tubing, installed during installation of the test pump, for the purpose of the spinner surveys. The rigid tubing must be plumb in order to prevent bending of the access pipe around the bowl assembly and the spinner tool must be capable of effortlessly passing through the annular space between the well casing and the pump bowls.

The dynamic spinner survey must be conducted with the pump operating at a constant discharge rate and with at least three “down-run” passes, each at a different line speeds. Dynamic tests and “stop-counts” must be conducted from the bottom of the perforated interval to the top of the perforated interval. The dynamic test shall consist of two-minute readings taken at twenty-foot intervals throughout the screen as well as a “stop-count” in each blank interval immediately above and below the tested screened intervals in order to calibrate the tools.

The pump must be shut off at the end of the constant rate test, following completion of the dynamic spinner survey, at which time at least four hours of recovery measurements will begin.

B-3.08.3 Static Spinner Survey

Following recovery measurements and removal of sediment, a final video survey of the well must be conducted as well as a static (i.e., non-pumping) spinner survey to determine the ambient flow in the well.

B-3.09 Removal of Sediment

After completion of the pumping tests and removal of the test pumping equipment, the contractor shall remove all sediment, silt, sand, and debris from the bottom of the well.

All labor, equipment, and material costs for the removal of any accumulated sediment shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

4.0 PHASE III – Permanent Pump and Motor

Prior to performing any Work associated with Phase III, the pedestal retrofit portion of the project shall be completed. Technical Specifications and Plans for the Well No. 17 Pedestal Retrofit can be found in Attachment 1.

B-4.02 Well Covers

During the progress of the Work, temporary well covers shall be used to secure the well against tampering or entrance of foreign objects. Temporary covers shall be securely bolted or welded to the top of the well casing whenever no work is taking place at the site, or when the pump is no longer installed in the well. At the completion of rehabilitation, the cover shall protect the well and guard against unauthorized entry, vandalism, and entrance by foreign objects or materials, until the permanent pumping equipment is installed.

B-4.03 Disinfection of Equipment

The Contractor shall thoroughly steam clean the suction pipe, bowl assembly, column assembly, and discharge head at 160°F at 3,000 PSI.

B-4.04 Pump and Vertical Turbine Motor Design

The work herein specified includes furnishing all labor, equipment and materials necessary to provide the City with a correctly operating vertical turbine pump following power and discharge connections. **Due to possible deviations in the final well design capacity, the contractor shall delay ordering and testing bowls until after both verifying completion of test pumping and confirming design points with the Engineer.**

Test pump data will be interpreted and the City will provide a summary which will include recommendations regarding final pumping rate and depth setting for permanent pump. The Contractor will be tasked to provide appropriate moving equipment (pump, motor, column pipe, etc.) The details listed below can be used for reference. The actual design of the wellhead equipment are not expected to deviate greatly from the details listed below.

B-4.04.1 General

The City requires the contractor to furnish, deliver, and install a motor-driven, enclosed line shaft, vertical turbine pump unit and appurtenances with a water flush lubrication system. The contractor's Work shall include, but is not limited to, the following:

1. Furnish a complete pump unit,
 2. Deliver and install the pump unit and appurtenant items in the well, and
 3. Witness field pump test.
- A. Pump and drive must be rated for inverter duty and must be capable of pumping the specified flow range without surging, cavitation, or vibration. The pump must not overload the motor at any point on the pump head/capacity curve when operated at the maximum speed.
- B. The completed units, when assembled and operating, must be free of cavitation, vibration, noise, and oil or water leaks over the range of operation. To insure vibration-free operation, all rotating components of the pumping unit shall be statically and dynamically balanced. Excessive vibration shall be sufficient cause for rejection of the equipment. The mass of the unit and its distribution shall be such that resonance at normal operating speeds is avoided. In any case, the amplitude of vibration as measured at any point on the pumping unit (excluding the motor) must not exceed the limits set forth in the latest edition of the Hydraulic Institute (HI) Standards.

- C. All parts of each pump must be designed to withstand the stresses that will be imposed upon them during their handling, shipping, erection, and operation. Castings, fabrication, machined parts and drives shall conform to the industry standards for strength and durability and shall be rated appropriately over the entire operating range. Service factors, where applicable, shall be assumed to be 1.0.
- D. All units shall be so constructed that dismantling and repairing can be accomplished without difficulty.
- E. All anchor or fastener bolts must be type 316 stainless steel.
- F. Pump supplier must be responsible for proper operation of the complete pumping system, which includes pump, motor and proper response controls. It is the responsibility of the pump supplier / installer to warranty the complete pump and its performance for a minimum of two (2) years.
- G. Pump must comply with NSF requirements for drinking water.
- H. Provide stainless steel nameplate of ample size with embossed lettering, fastened to equipment in a prominent place and fastened with corrosion-resisting pins. Include manufacturer, serial number, date of manufacture, model number design capacity and head.
- I. Mandatory Bid Submittal: Bidders are to submit three (3) references of similar water flush pumps, which have been supplied and installed in the past two years in California. A CAD drawing is to be submitted with each reference showing the dimensions and materials used.
Failure to include the references may be cause to reject the Bid as non-responsive.

B-4.04.2 Anticipated Pump Operating Conditions

The pump unit will be used for pumping potable water at a maximum temperature of 80 degrees F, with a primary pump bowl design point from flow rate and total dynamic head (TDH) of 1500 gpm and 500ft, respectively, or as otherwise directed by the Engineer, with approximately 80% bowl efficiency. Deviation from the design point shall be less than 10 feet TDH. **Due to possible deviations in the final well design capacity, the contractor shall delay ordering and testing bowls until after both verifying completion of test pumping and confirming design points with the Engineer.** Maximum discharge head will be approximately 80 psi with a normal operating pressure of approximately 60 psi. The motor and discharge head shall be mounted on the well casing.

Vibration amplitude shall be limited to 0.01 inch per second for all ball bearing units, with the amplitude measured on the bearing housing in the vertical axial and horizontal directions. Axial

shaft vibration displacements shall not exceed 50 percent of the maximum lateral shaft vibration displacements at any point along the shaft.

- A. Permanent pump shall be designed and constructed to satisfactorily meet the anticipated conditions and requirements specified below and for the installations as shown on the drawings, if applicable. Contractor shall be aware that the actual parameters may vary from the data listed below.

1. Primary Design Condition	1,500 gpm @ 501'
2. Secondary Design Condition	1,550 gpm @ 487'
3. Tertiary Design Condition	1,390 gpm @ 525'
4. Minimum bowl efficiency at design head (exclusive of pump column friction) (percent)	80
5. Maximum outside diameter of bowls (in)	12
6. Maximum outside diameter of suction case (in)	12
7. Minimum column diameter (in)	12
8. Minimum line shaft diameter (in)	1-11/16"
9. Diameter of discharge (in)	10
10. Maximum Motor horsepower (hp)	300
11. VFD Speed Range	180 - 1800 rpm

The TDH given above does not include intake suction, pump column and discharge head losses. Pump manufacturer shall include these losses in selecting the bowl TDH.

- B. The pump shall have a head-capacity characteristic which is constantly rising to shutoff head without any sags. The pump shall have a non-overloading horsepower characteristic.
- C. Pump shall meet HI 14.6 Test Tolerances 1B at the design capacity and briefly summarized as follows:

Flow \pm 5%
Head \pm 3%
Efficiency -3%

B-4.04.3 Pump Construction

- A. General: All pumping equipment furnished under this section shall be (1) of a design and manufacture that has been successfully used and proven in similar applications and (2) demonstrated to the satisfaction of the Engineer that the quality is equal to equipment made by those manufacturer(s) specifically named herein. Among other items, the materials, weight, and design of the equipment may be used as a basis of comparison. Furnish and install vertical turbine pumps in accordance with the Plans, if applicable, and the following detailed specifications. Equipment shall conform to the provisions of the current edition of AWWA Specification E103 with exceptions as noted. The vertical turbine pump specified herein shall be as manufactured by Simflo, no Approved Equivalent.
1. Guards: Guards shall be provided at all exposed couplings, drives and shafts in compliance with the requirements of the State of California, Department of Industrial Relations, Division of Occupational Health and Safety.
 2. Gauge: Vertical turbine pump shall have discharge gages provided by pump manufacturer. Gauge shall be of the stem mounting, bottom connection type. Gauge shall be of the bourdon tube or bellows type with 270 degrees pointer travel. Dial shall be white with black numerals, 4-1/2 inch diameter. Accuracy shall be + 1% of full scale. Connection for gauge shall be male 1/4 National Pipe Tapered (NPT) with square wrench flats. Wetted parts shall be corrosion-resistant to the process fluid. Gauge shall be equipped with stainless steel isolation valve. Case shall be black phenolic or aluminum or enameled steel. The gauge shall be a product of Ashcroft, U.S. Gage, or Approved Equivalent.
 3. Nameplate: The pump shall have a Type 316 stainless steel plate permanently attached to the pump frame into which the following information shall be impressed, engraved, or embossed: manufacturer's name, pump size, serial number, impeller diameter, capacity, head rating and speed.
- B. Discharge Head Assembly: The discharge head assembly shall be composed of a round flange pump base, a discharge nozzle, and a packing seal. The Contractor shall submit for review an appropriate cast iron discharge assembly that is compatible with water flush discharge head utilizing the appropriate water flush nut assembly (with packing) to ensure that flange bolts and nuts can be installed and removed without conflict. The pump discharge head shall be cast or ductile iron, and shall be of sufficient thickness to support the assembled weight of the pump and motor, and to safely withstand all stress imposed thereon by vibration, shock, seismic action, and all possible direct and eccentric loads. Lifting lugs of sufficient strength to support the weight of the complete pump unit exclusive of motor shall be provided. A tapped drain in discharge head for leakage shall be provided. The discharge head shall be drilled to allow for a 2-inch schedule 80 PVC sounding tube to pass freely between the existing casing and column pipe, without the use of elbows or bends.

1. Discharge Nozzle: The discharge nozzle shall be surface-mounted and shall be flanged for pipe connection. The nozzle shall conform to current ANSI standards and shall have a minimum pressure rating of 275 psi. The nozzle shall be drilled and tapped for pressure gage connection.
2. Water Flush System: A water flush assembly shall be provided machined from bronze material with tube tension plate. The assembly shall accept six (6) rings of packing and have a minimum of two (2) 3/4" injection ports. The assembly shall be manufactured with an air relief system and drain port and designed for a minimum 7 gpm at system pressure. Failure to meet the required flow may be cause for rejection. The water flush assembly is available from General Pump Company. Alternate manufacturers shall be submitted for consideration by the City with all necessary documentation to demonstrate operation as an equal, including a minimum 3 references for similar applications in operation for at least 2 years in Southern California.

- C. Column Assembly: The discharge column assembly shall be composed of a discharge pipe column, line shafting, and enclosing tubes with bronze line shaft bearings lubricated by chlorinated water using a water flush injection assembly.

Pipe Column: The column pipe shall be furnished in sections not exceeding a nominal length of 20 ft, with the exception of the top and bottom column lengths which shall be 10-foot or shorter. It shall be of ASTM A53 grade B steel pipe and weight shall be not less standard wall thickness, 0.375". The pipe ends shall be machined and faced parallel to butt against subsequent column pipes. Inside diameter of the pipe shall be such that the head losses shall not be over 5 feet per 100 feet of pipe.

Line Shafting: The line shafting shall be turned, ground and polished ASTM A582 grade 416 stainless steel, of ample size (1-inch minimum or as indicated otherwise) to operate the pump without distortion or vibration and shall be tested for straightness. Shafting shall not be smaller than the minimum permitted by the current edition of AWWA Specification E103 and shall be straight. The shafts shall be furnished in interchangeable sections no greater than 20 feet in length. Shaft couplings shall be threaded stainless steel couplings and shall be designated to transmit the full load torque and thrust and to maintain alignment between adjacent shaft sections. Couplings shall be ASTM A582 grade 416 stainless steel or better.

Bearings: The line shaft bearings which serves as a coupling for the shaft tubing shall be spaced at each tube length, not to exceed 5-foot spacing. They shall be of bronze material and machined, threaded and grooved to provide the rated flow with special consideration for the specified water flush application.

- D. Bowl Assembly: The pump bowls shall be of high tensile strength, close-grained cast iron or ductile iron free from blow holes, sand holes, and all other faults and shall be accurately machined and fitted to close dimensions. The water passageways shall be lined with vitreous enamel or other similar material to provide smooth water flow and maximum pump efficiency. The impeller shaft shall be of ASTM A582 grade 17-4

stainless steel or better with one bearing on each side of every impeller. The impeller shaft sizing shall conform to the same requirements as the line shaft specified above. Bearings shall be either of all bronze construction or a combination of bronze and rubber, designed for water lubrication, but bearings of “rubber only” will not be acceptable. Suction case bearing shall be permanently grease packed and fully protected against the entry of sand and abrasives. The bowl shall be modified for water flush application.

1. Impeller: Impellers shall be of nickel aluminum bronze, enclosed, accurately fitted, perfectly balanced, and securely fastened to the impeller shaft in such a manner that they cannot loosen in service, but can be removed without damage to the bowl shaft. Both bowls and impellers shall be designed with an impeller seal ring to prevent slippage of water between bowl and impeller, open-end smooth water passages to secure efficient operation and to prevent air and sand locking. Pump suction case shall be threaded NPT. Sufficient lateral adjustments shall be provided in the design of the bowl assembly to permit proper impeller adjustments and to insure proper operation of the pumping unit.
 2. Suction Pipe and Strainer: A 316SS conical-type strainer shall be provided having a net inlet area equal to at least four times the suction pipe area. The maximum opening size shall not be more than 75% of the minimum opening of the water passage through the bowl and impeller. The Suction strainer shall be welded to a minimum 10-foot long ASTM A53 grade B steel suction pipe.
- F. Protective Coating: Unless otherwise specified herein, all water passages of discharge head assembly, the inside and outside of the discharge and suction column pipe, and the outside diameter of the bowl assembly shall be shop coated with the manufacturer’s NSF-approved fusion bonded epoxy standard coatings, Scotchkote 134W, Scotchkote 6233W or equal. Minimum dry film thickness shall be 12.0 mils. Coating shall be in accordance with NSF-61 standards.
- G. Pump Guarantee: The pump installer shall warrant the units being supplied to the City against defects in workmanship and material for a period of two (2) years under normal use, operation, and service after the date of acceptance. The warranty shall be in printed form, apply to all similar units, and shall include the appropriate serial numbers. The pump manufacturer’s share of the warranty coverage costs shall be 100% for the two-year period, including labor and materials

In addition to the general guarantee requirements, the pump guarantee shall cover (1) faulty or inadequate design; (2) improper assembly or erection; (3) defective workmanship or materials; and (4) leakage, breakage, or other failure.

All labor, equipment, and material costs for procuring and installing the pump and related appurtenances in the well shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-4.04.4 Motor

- A. General: Motor shall be the type and size to match the driven equipment throughout the speed and load range, including at maximum load. The service factor for the motor shall not be applied when sizing the motor. Motor shall be manufactured by USEM Nidec Motors.
- B. Type: Motor shall be premium efficient, inverter duty, variable speed, three-phase, weather-protected, Type I (WP-1), and equipped with a non-reverse ratchet. Small and medium size motors per NEMA MG 1, Section II shall be NEMA Design B. Large size motors per NEMA MG 1, Section III shall be standard torque type. Motors 15 horsepower and larger shall be NEMA Starting Code F or G.
- C. Speed: Motor shall be variable speed, inverter duty rated. Refer to the pump specification.
- D. Motor Bearings:
 - 1. Motor anti-friction bearings shall be L-10 life of 50,000 hours in accordance with ABMA 9 or 11. Unless otherwise noted, bearings for other elements in the rotating system, including motors and intermediate shaft bearings, shall be selected using the same criteria as specified for the pump.
 - 2. Bearing selection shall be based on the worst combination of continuous duty operating conditions specified and shall include both steady-state and transient loads.
- E. Efficiency: All motors shall be classified as “Premium Efficient” and shall have minimum guaranteed full load efficiencies in accordance with NEMA MG 1-12.60. The efficiency shall be determined by IEEE 112 Method B for motors up to 300 horsepower and Method F for motors above 300 horsepower. Efficiency shall be listed on the nameplate in accordance with NEMA MG 1-12.58.2.

All labor, equipment, and material costs for procuring and installing the motor in the well shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-4.05.1 Factory Test Pump

- A. The purpose of equipment testing is to demonstrate the pump units meet the specified requirements. Tests and checks listed herein shall be completed prior to shipment at the factory. For pumps with motors of 50 horsepower and less, the tests may be completed with shop-provided motors. For pumps with motors over 50 horsepower, tests shall be performed on the actual motor/pump unit.
- B. The pump manufacturer shall verify the impeller, motor rating, and electrical connections are in compliance with the specifications and shop drawings.

- C. Factory pump curve tests shall include operation over the entire range on the certified performance curve. Six test points shall be recorded, two of which shall be “Shut Off” and the hydraulic “Design Point”. Prototype model tests are not acceptable. Test reports and procedures shall conform to applicable requirements of the Hydraulic Institute Standards.
- D. A check for noise and vibration shall be conducted and recorded.
- E. Tests shall be performed under the direction of- and signed by- a registered engineer.

B-4.05.2 Factory Witness Testing

Factory witness testing is required by the Engineer or other City representative as specified by the City. The contractor shall provide at least 2-week notice prior to the factory testing. The contractor shall pay for all costs associated with travel, transportation, lodging and meals for one representative to witness the “Factory Pump Tests”. In the event the test is not passed, the contractor shall be responsible for all costs associated with the City’s representative for additional test(s) including the time for the Engineer or other City representative which would be assessed at standard hourly rates. Travel shall be with a direct flight when possible.

B-4.05.3 Factory Motor Test

- A. A motor and cable insulation test for moisture content or insulation defects shall be made with a megohm meter. All values shall be recorded in a written report.
- B. **INSTALLATION AND START-UP**
 - 1. The contractor shall arrange to have the pump manufacturer or supplier of the equipment furnished under this section provide the services of competent factory-trained personnel to supervise the installation and initial operation.
 - 2. The contractor shall touch up all painted surfaces which have any damage in a manner acceptable to the manufacturer.
 - 3. The Contractor shall take all field measurements and verify dimensions prior to shop drawing submittal.

B-4.05.4 Well Disinfection

A well disinfection shall be performed immediately prior to the pump installation. Swab 200 ppm chlorine solution throughout perforated interval for 1 hour. One sample shall be taken after the process is complete to verify that the chlorine residual meets the minimum requirement. If the minimum chlorine residual requirement is not met, the Contractor shall repeat this process at no additional expense to the City. The Contractor shall set up to neutralize the Chlorine as needed prior to discharge and shall submit a discharge plan for approval prior to the treatment.

The well disinfection requirements as specified in the current edition of the ANSI/AWWA C-654-13 Standard shall supersede the well disinfection requirements as specified above.

All labor, equipment, and material costs for the final disinfection of the well shall be included in the most appropriate bid item and no additional compensation will be paid to Contractor therefor.

B-4.05.5 Field Testing

- A. Responsibilities: Provide all meters and equipment required for testing including pressure gauges, flow meters, volt meters, power meters etc. Provide any necessary temporary piping or valves, caps, air releases, etc. to be used and remove when testing is completed. New meters and gauges may be used when practical.
- B. Testing Plan: Develop a detailed testing plan indicating the order of tests to be completed, piping, control of flow, water supply and disposal (if needed), testing procedures, specialized personnel, location and equipment for measurements, etc.
- C. Instrumentation: Provide calibrated test instrumentation and equipment for field quality control tests including but not limited to pressure gauges and flow instruments. Prior to testing, provide certified reports for all test instrumentation indicating the instrumentation has been calibrated to verifiable national standards within the past year. Prior to testing, submit signed and dated certificates of calibration for all instrumentation and equipment as required under "Submittals" herein.
- D. Preliminary Tests: Perform tests on pumps, drivers, and equipment, including visual equipment checks to ensure compliance with approved detail drawings; pump start-run to ensure proper operation and to detect leakage of piping, valves, and fittings; sequence of operation check; verification that required pump accessories have been provided; test of pump alarm devices; and additional inspections and tests necessary to ensure that the entire pump installation is correct, complete, and ready for operation. The Contractor shall notify the City at least 24 hours prior to performing the preliminary tests. The City may or may not attend the preliminary test, at the City's discretion.
- E. Formal Testing: Following satisfactory completion of the Preliminary Tests, the Contractor shall, in the presence of the pump manufacturer's representative and the City's representative, operate each pumping unit over the entire specified range. The operation over the entire specified range shall be free of vibration, noise, or cavitation. As a minimum, the testing shall include:
 - 1. Vibration shall be checked and recorded. Vibration shall be measured in accordance with ISO 10816 for all pumps 50 hp and larger. An independent testing company specializing in this work shall be retained by the Contractor but acceptable to the City. Field vibration shall not exceed 0.31 in./sec. peak-to-peak when operating at any point between 85% of the minimum flow condition = to 115% of the maximum flow condition, measured at the top of the discharge head.
 - 2. Each pump performance shall be documented by obtaining concurrent readings showing motor voltage and amperage, pump discharge and suction head, water surface elevation in the wet well (if applicable) and pump capacity. Readings

shall be documented for at least five pumping conditions to ascertain the actual pumping curve. One test shall be at shutoff head. Each power lead to the motor shall be checked for proper curve balance at the motor terminals and the Motor Control Center.

3. Noise shall be measured and recorded. Contractor shall provide sound proofing as required if sounds echo excessively.
 4. In the event any of the pumping equipment fails to meet the above test requirements, it shall be modified and retested in accordance with the requirements of these Specifications.
- F. 24 Hour Pump Test: A pump test shall be performed after acceptance of the formal testing. The pump shall be run for 24 hours, and readings shall be taken on an hourly basis. Readings shall consist of pump discharge head, water surface elevation, and pump capacity.
- G. Manufacturer's Certified Field Testing Report: The equipment manufacturer, or his authorized representative, shall submit a notarized written report with respect to his equipment certifying that:
1. The equipment has been properly installed and lubricated under his supervision
 2. The equipment is in accurate alignment
 3. An authorized representative was present when the equipment was placed in operation
 4. An authorized representative has checked, inspected, and adjusted the equipment as necessary
 5. The equipment is free from any undue stress imposed by connecting piping, anchor bolts, or other installation appurtenances
 6. The equipment has been operated under full load conditions and operated satisfactorily
 7. The authorized representative has inspected the equipment during the operational demonstrations and system validation tests to the extent specified
 8. The equipment is fully covered under the terms of the guarantee.

B-4.06 Design Submittals

Within one day following the test pumping of the well, the Contractor shall submit to the Engineer for approval two sets of certified dimension prints of the pump and complete assemblies. Prints shall show the details of construction, maintenance and operation instructions, and a complete parts and material list of the equipment to be furnished. After receipt of one set of the said shop prints marked "Approved for Construction," and signed by the Engineer, the Contractor shall proceed with construction according to said approved prints.

B-4.07 Acceptance

Following installation and field testing of the pump unit, should the equipment be furnished hereunder not perform in conformity with these Specifications and the Contractor's data, the Contractor shall be required to pay the entire cost of removing, replacing, and restoring the equipment to full compliance with these specifications, or shall rebate to the City the cost of

excess losses, over guaranteed efficiencies at the design point. The City reserves the right to decide on equipment replacement or to accept the rebate.

B-4.08 Materials and Workmanship

All material furnished by the Contractor shall be new and of the best quality for their particular use. Workmanship shall be performed by skilled mechanics fully qualified for their trade and shall be subject to the approval of the Engineer.

B-4.09 Guarantee

For the one-year guarantee period covered in the General Provisions sections of these specifications, the Contractor shall promptly repair or replace any defective equipment, at the Contractor's own expense, upon written notice by the Engineer. The Contractor guarantees that for the above specified two-year period, the pump shall operate in accordance with all requirements of this specification. Said repair or replacement shall be subject to the approval of the Engineer.

B-4.10 Application of Specifications and Standards

The following specifications and standards apply:

- a. Hydraulic Institute, and
- b. American National Standards Institute.

B-4.11 Training of City Personnel

The Contractor shall provide the services of a representative of the manufacturers to instruct the City's operating personnel in the use and maintenance of the equipment.

B-5.0 Piping, Plumbing, and Miscellaneous

- A. Connection to Discharge Piping: Contractor shall provide and install a 10" steel pipe spool adequate to raise the discharge piping in line with the final height of the newly raised pedestal and discharge head. The spool shall be schedule 40 steel pipe with flange by flange. The pipe lining shall match the lining of the existing pipe. The pipe coating shall be an epoxy / acrylic system. The epoxy shall be two coats with a total dry film thickness of 6 – 10 mils such as Tnemec L69 Hi-Build Epoxoline II or approved equivalent. The acrylic shall be one coat with a dry film thickness of 2–3 mils such as Tnemec Series 1029 Enduratone or approved equivalent. Contractor shall determine dimensions from field measurements and include with shop drawing submittal. It is the Contractor's responsibility to verify all field dimensions to ensure the centerline of the piping will mate the centerline of the discharge head.
- B. Discharge Piping: Contractor shall provide an appropriate flexible coupling, Romac 501 or equal, and appropriate piping to mate new discharge head to existing piping. Contractor shall make any modifications to existing piping as necessary.
- C. Contractor shall coordinate with City Staff to provide and install an appropriate potable water supply necessary for a complete working water flush system appropriate for

outdoor installation. City shall tap into the existing potable water source and install ball type shut-off valve. The Contractor must supply the flow switch, and plumbing and connect to the pump discharge head. Plumbing shall be stainless steel or approved equivalent. Contractor shall determine dimensions in field and provide measurements with shop drawings.

- D. The pump manufacturer shall verify the impeller, motor rating, and electrical connections are in compliance with the specifications and shop drawings.

B-6.0 Work by Others

- A. Variable Frequency Drive: The City will procure and install an appropriate HP variable frequency drive to be used with the specified inverter duty motor. Contractor must coordinate with the City to ensure VFD and motor are compatible.
- B. Magnetic Meter: A new magnetic meter will be provided to the Contractor. Contractor must coordinate with City staff to install the meter in an appropriate location on the discharge pipeline. Contractor to verify proper alignment between discharge head assembly and discharge piping.
- C. SCADA and Motor Control Center: The City will be responsible for setting up and installing the pump and motor SCADA, Motor Control Center, and related equipment. The Contractor must coordinate with the City's consultant regarding test start-ups and rotation verification. Conduits including data and power conductors shall be installed by the Contractor.
- D. City will provide the Contractor a potable water source appropriate for a complete working water flush system. Refer to section B-5.0.

B-7.0 Submittals

The Contractor shall submit shop drawings. Drawings, specifications, and other data required to be submitted hereunder shall include, but not be limited to, the following:

1. Pump curves indicating total dynamic head, flow rate, brake horsepower, shutoff head, net positive suction head required, efficiency, and submergence required over bottom of bell.
2. Complete fabrication, assembly, foundation, and installation drawings, together with detailed specifications and data covering materials of construction, weight of the pump, power drive assemble, parts, devices, wiring diagrams, and other accessories forming part of the equipment furnished.
3. Materials of pump construction including discharge pipe column, shaft, bearings, impellers, castings, pump discharge head, stuffing box, and shaft guard.
4. Electric motor data, including manufacturer, size, type, and materials of construction. Also include minimum guaranteed efficiency and power factor at full load, $\frac{3}{4}$ load, and $\frac{1}{2}$

load; locked motor current in amps; full load current in amps; the motor speed in rpm; and the mounting details.

5. All motor and pump bearing calculations
6. NSF Compliant Certification
7. Manufacturer's installation instructions
8. Vibration testing company
9. Pipe spool shop drawings including dimensions, materials, ends, finish details, and grooved-end coupling.
10. "Water Flush" lubrication system including, but not limited to, plumbing materials, dimensions, ball valve, flow switch, and other appurtenances.

The Contractor shall also submit a pump test plan. Develop and submit plan to test pumps including personnel to attend, documentation for calibration of meters and gages, and detailed procedure to be followed for testing. Identify locations & equipment for measurement and method to control flow. Refer to Phase II of the Project.

The Contractor shall provide Shop and Field Certified Test Reports as required in section B-4.05

The Contractor is required to provide operations and maintenance information for the equipment.

Attachment 1

Special Provisions and Plans for Phase 1

Pedestal Retrofit

SPECIAL PROVISIONS

PART 2

CONSTRUCTION MATERIALS

SECTION 201 - CONCRETE, MORTAR, AND RELATED MATERIALS

201-1 PORTLAND CEMENT CONCRETE

201-1.1 Requirements

201-1.1.1 General. The same brand, type, and source of cement and aggregate shall be used for all portland cement concrete.

201-1.1.2 Concrete Specified by Class.

Concrete for Well Head and support blocks shall be Class 560-C-3250 with 4-inch maximum slump.

Fly ash shall not be used.

201-2 STEEL REINFORCEMENT FOR CONCRETE

201-2.2.1 Reinforcing Steel. The following is hereby added to Subsection 201-2.2.1 of the standard specifications:

All steel, except longitudinal steel, for design pipe, box conduit, Transition Structures Nos. 1, 2, 4, 5, 6, and 7, and special structures shall be Grade 60 billet steel conforming to ASTM A-615.

The existing pedestal shall be secured with dowels spaced 12-inches on center. Rebar for concrete shall be #4 rebar.

Epoxy shall be Simpson Strong-Tie ET-HP Epoxy Adhesive or approved equal.

SECTION 218 – WELL CASING. ADD

- A. *Casing Material.* Requirements pertaining to well casing are to insure that the casing will perform the functions for which it is designed, i.e., to maintain the hole by preventing its walls from collapsing, to provide a channel for the conveyance of the water, and to provide a measure of protection for the quality of the water pumped.

1. Well casing shall be strong and tough enough to resist the force imposed on it during installation and those forces which can normally be expected after installation.
2. Steel is the material most frequently used for well casing, especially in drilled wells. The thickness of steel used for well casing shall be selected in accordance with good design practices applied with due consideration to conditions at the site of the well. There are three principal classifications of steel materials used for water well casing, and all are acceptable for use so long as they meet the following conditions.
 - a. *Standard and line pipe.* Material for casing shall match the material of the existing casing. This material shall meet one of the following specifications, including the latest revision thereof:
 - (1) API Std. 5L, "Specification for Line Pipe".
 - (2) API Std. 5LX, "Specification for High-Test Line Pipe".
 - (3) ASTM A53, "Standard Specification for Pipe, Steel, Black and Hot-Dipped, Zinc-Coated Welded and Seamless".
 - (4) ASTM A120, "Standard Specification for Pipe, Steel, Black and Hot-Dipped, Zinc-Coated (Galvanized) Welded and Seamless, for Ordinary Uses".
 - (5) ASTM A134, "Standard Specification for Electric-Fusion (Arc)-Welded Steel Pipe (sizes NPS 16 and over)".
 - (6) ASTM A135, "Standard Specification for Electric-Resistance-Welded Steel Pipe".
 - (7) ASTM A139, "Standard Specification for Electric-Fusion (Arc)-Welded Steel Pipe (sizes 4 inches and over)".
 - (8) ASTM A211, "Standard Specification for Spiral-Welded Steel or Iron Pipe".
 - (9) AWWA C200, "AWWA Standard for Steel Water Pipe 6 Inches and Larger".
 - b. *Structural Steel.* This material shall meet one of the following specifications of the [American Society for Testing and Materials](#), including the latest revision thereof:
 - (1) ASTM A36, "Standard Specification for Structural Steel".

(2) ASTM A242, "Standard Specification for High Strength Low Alloy Structural Steel".

(3) ASTM A283, "Standard Specification for Low and Intermediate Tensile Strength Carbon Steel Plates of Structural Quality.

(4) ASTM A441, "Tentative Specification for High-Strength Low Alloy Structural Manganese Vanadium Steel".

(5) ASTM A570, "Standard Specification for Hot-Rolled Carbon Steel Sheet and Strip, Structural Quality".

- c. High strength carbon steel sheets referred by their manufacturers and fabricators as "well casing steel". At present, there are no standard specifications concerning this material. However, the major steel producers market products whose chemical and physical properties are quite similar. Each sheet of material shall contain mill markings which will identify the manufacturer and specify that the material is well casing steel which complies with the chemical and physical properties published by the manufacturer.

B. *Casing Installation.* All well casing shall be assembled and installed with sufficient care to prevent damage to casing sections and joints. All casing joints above intervals if perforations or screen shall be watertight. Any perforations shall be below the depths specified in Section 9, Subsection A, of the California Department of Water Resources Water Well Standards in Bulletin 74-81.

Casing shall be equipped with centering guides or 'centralizers' to ensure the even radial thickness of the annular seal and filter pack.

- 1. *Metal Casing.* Metallic casing may be joined by welds, threads, or threaded couplings. Welding shall be accomplished in accordance with the standards of the American Welding Society or the most recent revision of the American Society of Mechanical Engineers Boiler Construction Code. Metallic casing shall be equipped with a 'drive shoe' at the lower end if it is driven into place.

SPECIAL PROVISIONS

PART 3

CONSTRUCTION METHODS

300-2 UNCLASSIFIED EXCAVATION:

300-2.1 General. Unclassified excavation shall consist of all excavation, including roadways, bituminous pavement, and concrete pavement, curb, walk, gutters, cross gutters, driveways, and access ramps.

300-2.1.1 Requirements. Subsection 300-2.1.1 is hereby added to Section 300 of the Standard Specifications as follows:

1. Bituminous Pavement. Bituminous pavement shall be removed to neatly sawed edges. Saw cuts shall be to a minimum depth of 3 inches. Where only the surface of existing bituminous pavement is to be removed, the method of removal shall be approved by the Engineer, and a minimum laying depth of 1 inch of new pavement material shall be provided at the join line. Where bituminous pavement adjoins a trench, the edges adjacent to the trench shall be saw cut to neat straight lines before resurfacing to ensure that all areas to be resurfaced are accessible to the rollers used to compact the subgrade or paving materials.

Bituminous pavement on curb and gutter, sidewalk or drive approaches shall be removed by heating with a torch to soften the pavement without creating smoke. Softening shall be performed until the bituminous material can be easily scraped away down to the underlying PCC surface. The blade used for scraping shall be maintained straight along its edge and clean. Bituminous material shall be scraped in this manner until it is completely removed.

2. Concrete Curb, Walk, Gutter, Cross Gutters, Driveways, and Access Ramps. Concrete shall be removed to neatly sawed edges with saw cuts made to a minimum depth of 1½-inches. Concrete sidewalk, or driveway to be removed shall be neatly sawed in straight lines either parallel to the curb or at right angles to the alignment of the sidewalk. No section to be replaced shall be smaller than 30 inches in either length or width. If the saw cut in sidewalk, access ramp, or driveway would fall within 30 inches of a construction joint, expansion joint, or edge, the concrete shall be removed to the joint or edge, except that where the saw cut would fall within 12

inches of a score mark, the saw cut shall be made in and along the score mark. Curb and gutter shall be sawed to a depth of 1½-inches on a neat line at right angles to the curb face.

300-2.9 Payment.

The first sentence of Subsection 300-2.9 of the Standard Specifications is hereby deleted and replaced with the following:

Payment for unclassified excavation performed as part of the work for “remove and construct” bid items shall be paid for as part of the work for that item, and no additional compensation will be allowed.

Payment for **Sawcut and Remove Conflicting Pavement** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, sawcutting, excavation, removal, hauling, disposal, incidentals, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

300-4 UNCLASSIFIED FILL

300-4.9 Measurement and Payment. The text of Subsection 300-4.9 of the Standard Specifications is hereby deleted and replaced with the following:

Full compensation for furnishing all labor, materials, tools and equipment, and doing all the work involved in unclassified fill construction shall be considered as included in the price paid for “remove and construct” bid item and shall include full compensation for the cost of all grading, shaping, compacting or consolidating and extra fill, if required, or other work that is required under this subsection. No additional payment will be made for unclassified fill.

SECTION 303 – CONCRETE AND MASONRY CONSTRUCTION

303-1 CONCRETE STRUCTURES.

303-1.12 Payment. The text of Subsection 303-1.12 of the Standard Specifications is hereby deleted and replaced with the following.

Payment for **Construct 3250 PSI Concrete Well Head** shall be paid for at the contract unit price per Cubic Yard (CY). The contract price per cubic yard shall include all labor, materials, equipment, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Construct 6-Inch Thick, 3250 PSI Concrete Pavement** shall be paid for at the contract unit price per Cubic Yard (CY). The contract price per cubic yard shall include all labor, materials, equipment, rebar, dowels, epoxy, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor. The cost to construct 1-Foot wide AC slot pavement shall be included in the price bid for **Construct 6-Inch Thick, 3250 PSI Concrete Pavement**.

Payment for **Construct Concrete Support Blocks** shall be paid for at the contract unit price per Cubic Yard (CY). The contract price per cubic yard shall include all labor, materials, equipment, removal and disposal of existing support blocks, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

SECTION 306 - UNDERGROUND CONDUIT CONSTRUCTION

306-15 PAYMENT

306-15.8 Pipeline Appurtenances. Add the following:

Payment for **Furnish and Install 10"x13" DIP Spool (FLG)** shall be paid for at the contract unit price per Each (EA). The contract price per each shall include all labor, materials, equipment, appurtenances, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Extend 2" Air Vent** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, steel pipe, insect screen, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Extend 6" Steel Gravel Fill Pipe** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, steel pipe, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Cut, Plug, and Abandon Existing Sounding Tube** shall be paid for at the contract unit price per Each (EA). The contract price per each shall include all labor, materials, equipment, appurtenances, steel pipe, removals, disposal, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Modify Sole Plate to Include a Sounding Tube and Transducer Tube in Sole Plate** shall be paid for at the contract unit price

per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, steel pipe, tools, and testing necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Furnish and Install New Sole Plate and Weld to New Casing** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Adjust 10" Discharge Pipe Elevation and Connection** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, replacement of all gaskets, cutting pipe, installing grooved coupling, connections, adjusting pipe to waste over inlet, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Furnish and Install 18" Steel Casing, Welded to Existing Casing** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, welding, inspection, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

Payment for **Adjust Existing Control Panel to Grade** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, appurtenances, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

SPECIAL PROVISIONS

PART 4

EXISTING IMPROVEMENTS

SECTION 401 – REMOVAL

401-7 PAYMENT. Add the following:

Payment for **Remove Existing Sole Plate** shall be paid for at the contract unit price per Lump Sum (LS). The contract price per lump sum shall include all labor, materials, equipment, removal, disposal, and tools necessary to perform the work, complete in place, and no additional compensation will be made therefor.

SECTION 402 – UTILITIES

402-1 LOCATION

Subsection 402-1.1 General paragraph one (1), only, is hereby deleted and amended thereto by the following paragraph:

The location and existence of any underground utility or substructure was obtained from a search of available records. No guarantee is made or implied that the information is complete or accurate. It shall be the Contractor's responsibility alone to determine the exact location of underground utilities or substructures of every nature and to protect them from damage. The Contractor shall excavate and expose all high-risk underground facilities. The Contractor shall notify the owners of all utilities and substructures as set forth in the General Specifications.

402-5 DELAY DUE TO UTILITY CONFLICTS

Subsection 402-5 DELAY DUE TO UTILITY CONFLICTS the second paragraph is hereby deleted and amended thereto by the following two (2) paragraphs:

The Contractor will not be entitled to damages or additional payment for delays attributable to utility relocations or alterations if correctly located, noted and completed in accordance with Subsection 402-1.

The Contractor shall ascertain further detailed information to coordinate his work to this effect.

All notification of utility companies shall be by the Engineer based on Contractor's request as submitted to the Engineer at least 24 hours in advance of the needed work. Any costs for delay of the Contractor of utility companies in this regard shall be assigned to the Contractor, if these costs are a result of the Contractor's request being untimely in any respect, except for the utility company not responding at their agreed time.

U:\109336 Vernon Well 17\900-PS&E\901-Plans\PL-WELL-01.dwg Sep 09, 2019 -- 12:49pm Plotted By: AEscobar

GENERAL NOTES:

1. CONSTRUCTION CONTRACTOR AGREES THAT IN ACCORDANCE WITH GENERALLY ACCEPTED CONSTRUCTION PRACTICES, CONSTRUCTION CONTRACTOR WILL BE REQUIRED TO ASSUME SOLE AND COMPLETE RESPONSIBILITY FOR JOB SITE CONDITIONS DURING THE COURSE OF CONSTRUCTION OF THE PROJECT, INCLUDING SAFETY OF ALL PERSONS AND PROPERTY; THAT THIS REQUIREMENT SHALL BE MADE TO APPLY CONTINUOUSLY AND NOT TO BE LIMITED TO NORMAL WORKING HOURS, AND CONSTRUCTION CONTRACTOR FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD DESIGN PROFESSIONAL HARMLESS FROM ANY AND ALL LIABILITY, REAL OR ALLEGED, IN CONNECTION WITH THE PERFORMANCE OF WORK ON THIS PROJECT, EXCEPTING LIABILITY ARISING FROM THE SOLE NEGLIGENCE OF DESIGN PROFESSIONAL.
2. THE CONTRACTOR SHALL BE RESPONSIBLE FOR PROVIDING CONSTRUCTION SURVEY IF IT IS DEEMED NECESSARY.
3. ALL WORK SHALL BE DONE IN ACCORDANCE WITH CITY STANDARD PLANS, STANDARD PLANS FOR PUBLIC WORK CONSTRUCTION, AND THE STANDARD SPECIFICATION FOR PUBLIC WORKS CONSTRUCTION LATEST EDITION (GREENBOOK)
4. CONTRACTOR SHALL COMPLY WITH ALL REQUIREMENTS OF THE CLEAN AIR AND CLEAN WATER ACTS.
5. UNLESS OTHERWISE NOTED, ALL FASTENERS INCLUDING BOLTS, NUTS, AND WASHERS SHALL BE STAINLESS STEEL.
6. CONTRACTOR TO VERIFY ALL LENGTHS BEFORE FABRICATION OF PIPE SPOOLS.
7. ANCHOR FABRICATED DISCHARGE HEAD PER PUMP MANUFACTURER'S RECOMMENDATIONS. CONTRACTOR SHALL SUBMIT ANCHORAGE DETAILS FOR ENGINEER'S APPROVAL.

CONCRETE SLAB ON GRADE

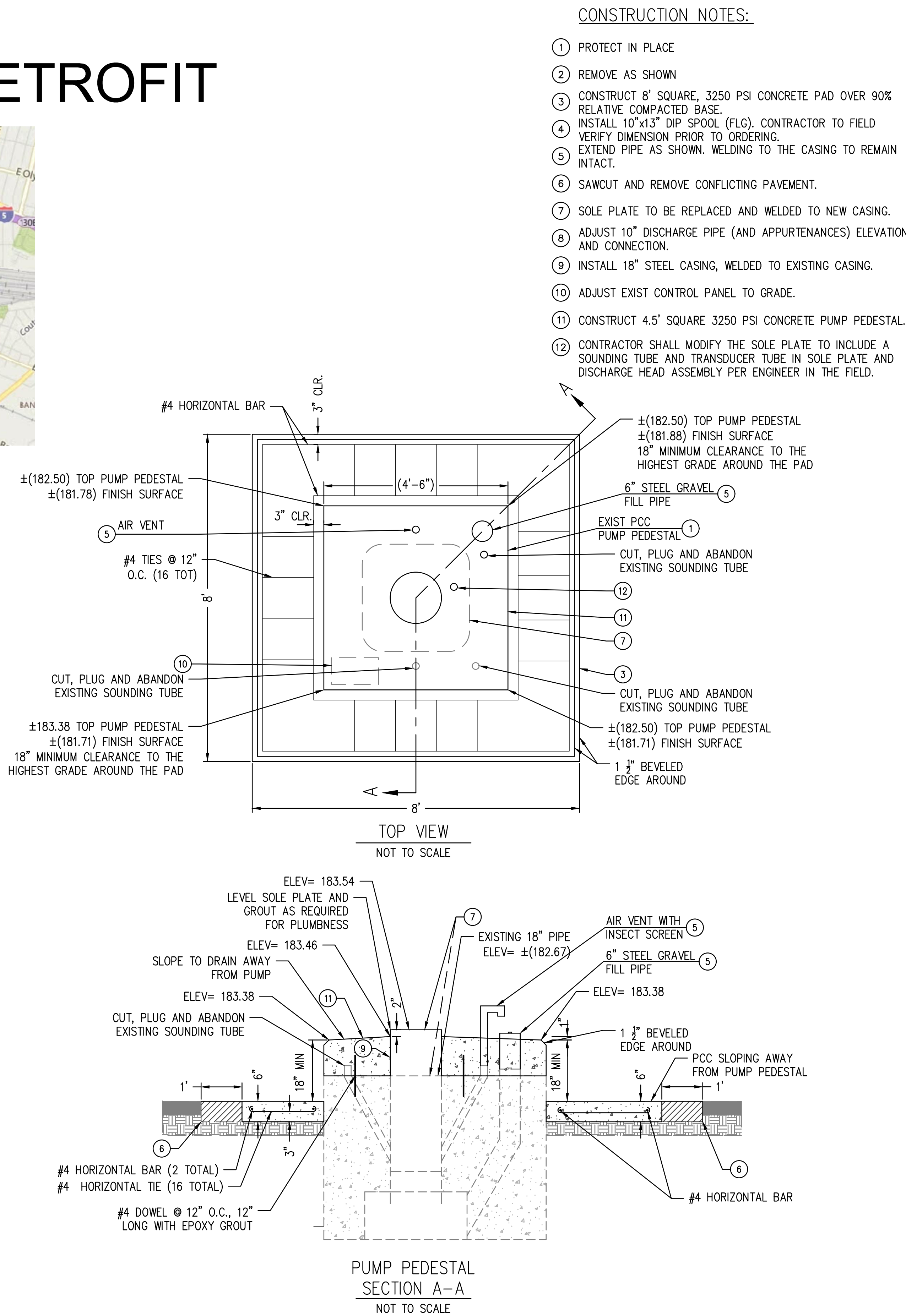
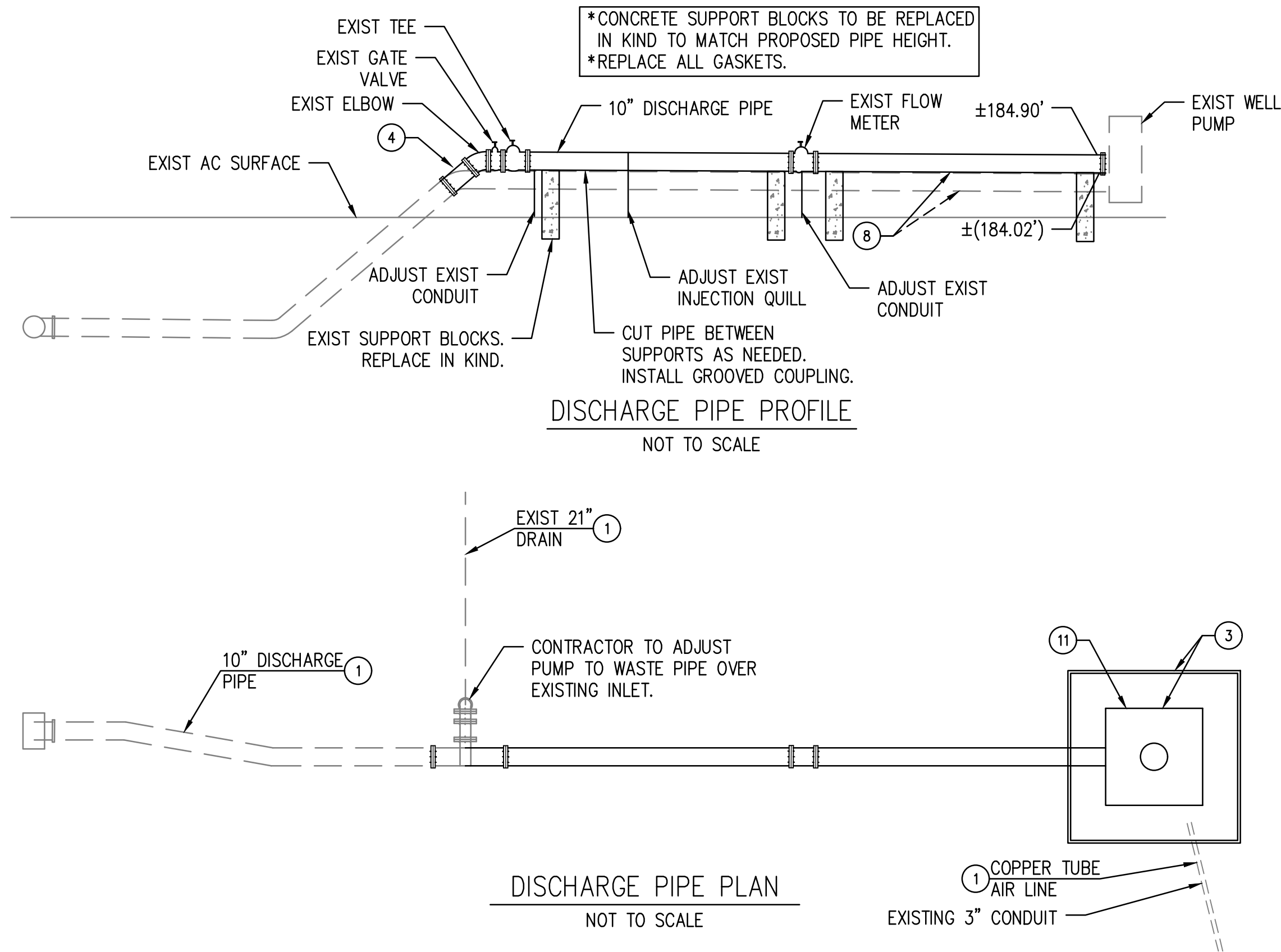
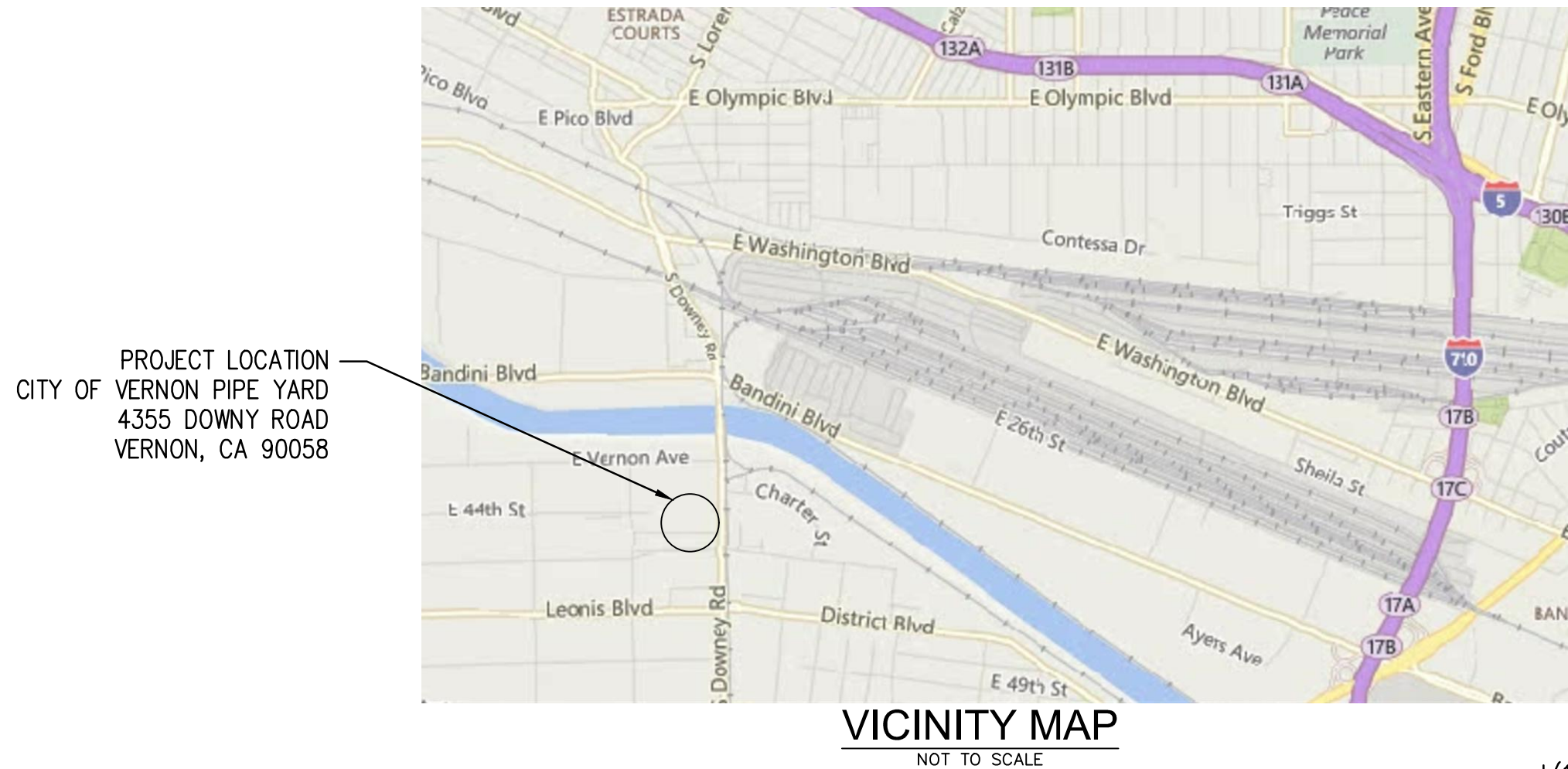
1. SUBGRADE:
 - A. TOP 12" UNDERNEATH PAD TO BE COMPACTED TO 95% RELATIVE COMPACTION. CERTIFICATION MUST BE 24 HOURS BEFORE POURING CONCRETE. THE SUBGRADE BELOW THIS SHOULD BE COMPACTED IN ACCORDANCE WITH THE GEOTECHNICAL REPORT RECOMMENDATIONS.
 - B. FINISH SUBGRADE PAD ELEVATION BEFORE CONCRETE POUR TO BE WITHIN 1 INCH ABOVE OR ½ INCH BELOW REQUIRED ELEVATION.
 - C. PAD MUST BE MOIST PRIOR TO CONCRETE POUR AND BE FREE OF DEBRIS.
2. CONCRETE AND MIX MATERIALS:
 - A. MIX DESIGNS FOR SLAB CONCRETE SHOULD BE PREPARED BY REGISTERED ENGINEER AND MUST BE APPROVED BY THE ARCHITECT/ENGINEER. MIX DESIGN SHOULD INCLUDE PROPORTIONS FOR EACH MATERIAL.
 - B. CEMENT SHALL BE TYPE II U.N.O. AND TESTED PER ASTM STANDARDS. TEST RESULTS SHALL BE SUBMITTED TO THE ENGINEER/ARCHITECT ALONG WITH MIX DESIGN.
 - C. NO FLY ASH SHALL BE USED IN CONCRETE.
 - D. CONCRETE MUST BE BATCHED FROM THE SAME CONCRETE BATCHING PLANT AND FROM THE SAME AGGREGATE STRIKE FOR ALL SLAB CONCRETE.
 - E. SLUMP SHALL NOT VARY MORE THAN ½ INCH FROM TRUCK TO TRUCK.
 - F. AGGREGATE: UNLESS CONCRETE IS TO BE PUMPED INCORPORATE A PERCENTAGE OF 1 1/2" MAXIMUM SIZE AGGREGATE IN MIX.
3. CONCRETE CURING:
 - A. ALL CURING TO BE DONE SHALL BE WET CURING BY USING BURLINE FOR A MINIMUM OF 7 DAYS FROM THE TIME CONCRETE IS POURED.
4. QUALITY CONTROL:
 - A. CONCRETE TRUCKS OR CRANES WILL NOT BE PERMITTED ON SLAB AT ANYTIME.
 - B. WITHIN 2 WEEKS AFTER COMPLETION OF SLAB INSTALLATION, THE TESTING AGENCY WILL ISSUE A FINAL REPORT CERTIFYING COMPLIANCE OF THE FLOOR SLAB INSTALLATION WITH THE SPECIFIED TOLERANCES.
5. PERIODIC SPECIAL INSPECTION REQUIRED FOR ALL SLAB ON GRADE.

NOTES

1. SOLID LINES SHALL INDICATE IMPROVEMENTS TO BE CONSTRUCTED.
2. DASHED LINES SHALL INDICATE EXISTING IMPROVEMENTS.
3. CONTRACTOR TO COORDINATE WITH CITY PRIOR TO INSTALLING SOLE PLATE AND NEW SOUNDING TUBE.

- PORTLAND CEMENT CONCRETE (PCC)
- AC PAVEMENT
- NATIVE MATERIAL
- 8" AC OVER COMPACTED NATIVE OR T+1" WHERE T>8"
T=THICKNESS OF EXISTING AC SECTION

CITY OF VERNON WELL NO. 17 PEDESTAL RETROFIT



CONSTRUCTION NOTES:

1. PROTECT IN PLACE
2. REMOVE AS SHOWN
3. CONSTRUCT 8' SQUARE, 3250 PSI CONCRETE PAD OVER 90% RELATIVE COMPACTED BASE.
4. INSTALL 10"x13" DIP SPOOL (FLG). CONTRACTOR TO FIELD VERIFY DIMENSION PRIOR TO ORDERING.
5. EXTEND PIPE AS SHOWN. WELDING TO THE CASING TO REMAIN INTACT.
6. SAWCUT AND REMOVE CONFLICTING PAVEMENT.
7. SOLE PLATE TO BE REPLACED AND WELDED TO NEW CASING.
8. ADJUST 10" DISCHARGE PIPE (AND APPURTENANCES) ELEVATION AND CONNECTION.
9. INSTALL 18" STEEL CASING, WELDED TO EXISTING CASING.
10. ADJUST EXIST CONTROL PANEL TO GRADE.
11. CONSTRUCT 4.5' SQUARE 3250 PSI CONCRETE PUMP PEDESTAL.
12. CONTRACTOR SHALL MODIFY THE SOLE PLATE TO INCLUDE A SOUNDING TUBE AND TRANSDUCER TUBE IN SOLE PLATE AND DISCHARGE HEAD ASSEMBLY PER ENGINEER IN THE FIELD.

BENCHMARK AND ELEVATION:
BASED ON WELL NO. 17 DOWNEY RD. & 44TH PROJECT WS1849 AS-BUILT PLAN.



REVISIONS

NO.	INITIAL	DESCRIPTION	APPROVED BY	DATE

WILLDAN
Engineering
2401 East Katella Ave, Suite 300, Anaheim, California 92806
714/978-8200 fax 714/978-8299

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your
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PREPARED UNDER THE SUPERVISION OF

RONALD STEIN R.C.E. 86877 DATE

SCALE: AS SHOWN	DATE: 9/9/19
DRAWN BY: AE, RS	9/9/19
DESIGNED BY: AE, RS	9/9/19
CHECKED BY: RS	9/9/19

CITY OF VERNON

CITY ADDRESS
4305 SANTA FE AVE, VERNON, CA 90058
APPROVED

PUBLIC WORKS DIRECTOR: DATE

CITY OF VERNON

WELL NO. 17 PEDESTAL RETROFIT

PLAN AND DETAILS

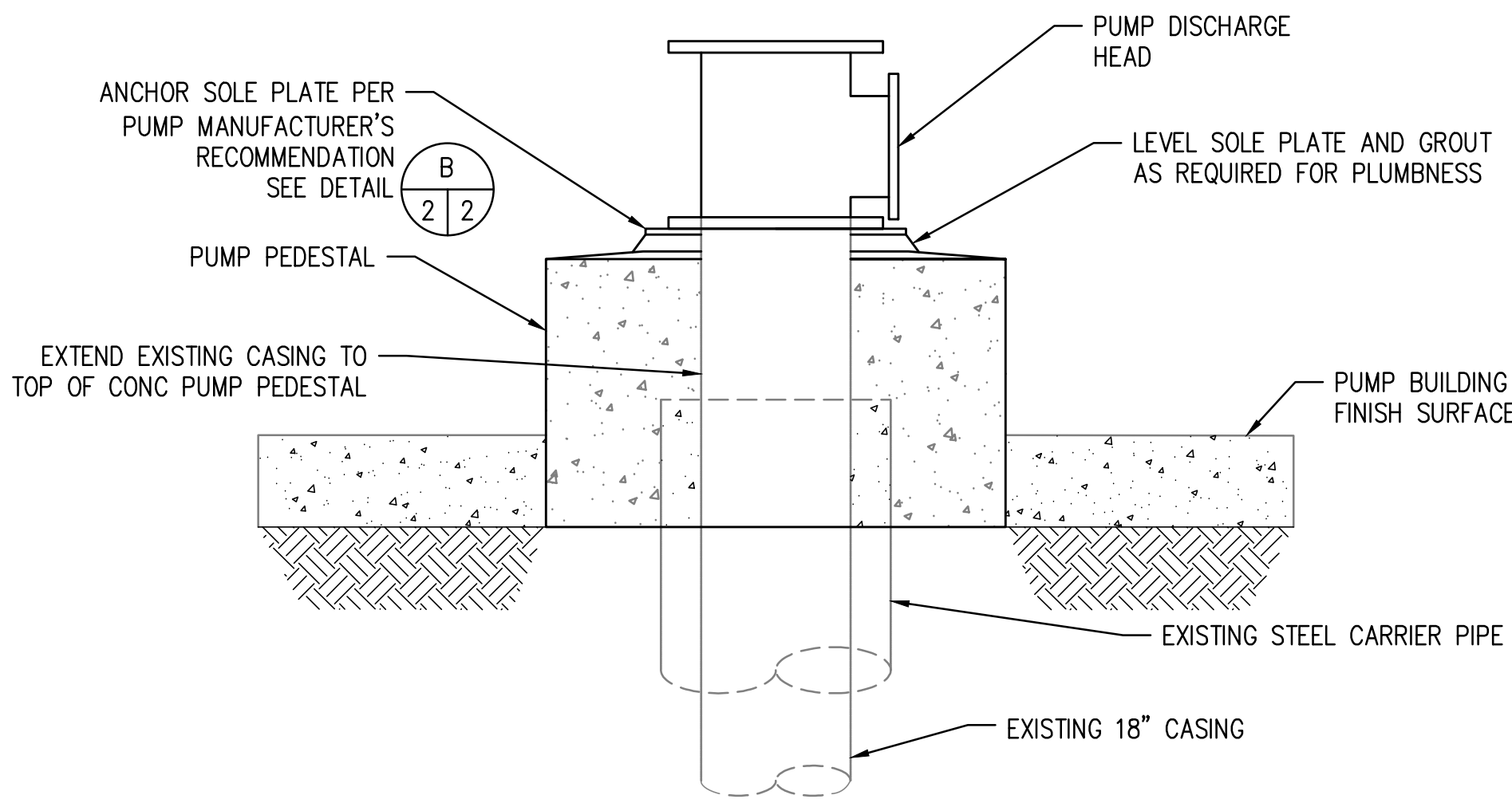
SHEET

1 OF 2

DWG. NO.
WS 1849A

GENERAL NOTES

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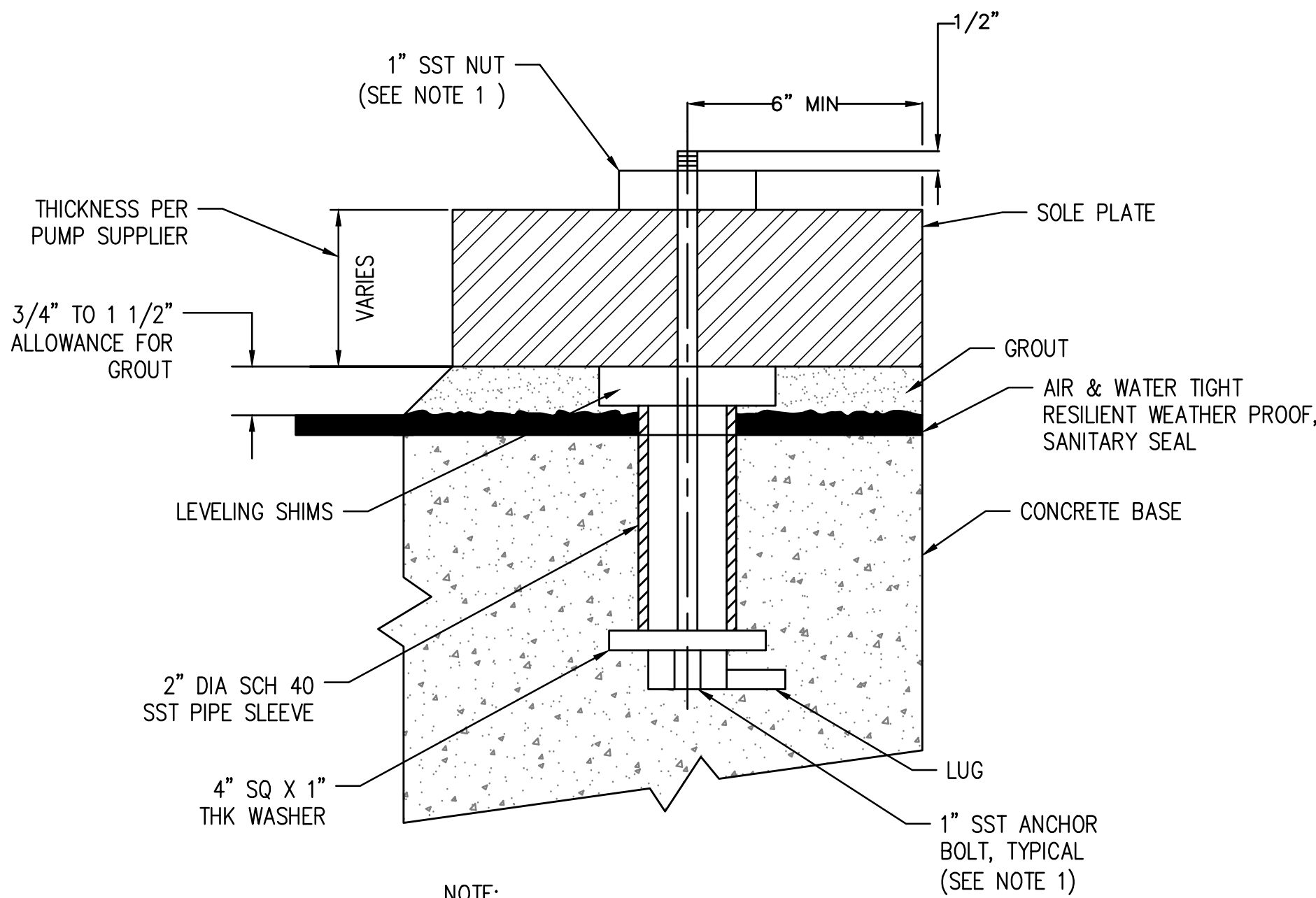
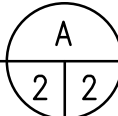


NOTE:

1. SOLE PLATE TO BE PROVIDED BY THE PUMP MANUFACTURER.
2. SOLE PLATE SHALL BE TAPPED TO MATCH DISCHARGE HEAD BOLT PATTERN AS REQUIRED BY THE PUMP MANUFACTURER.

TYPICAL PUMP DISCHARGE
HEAD & SOLE PLATE DETAIL

NOT TO SCALE

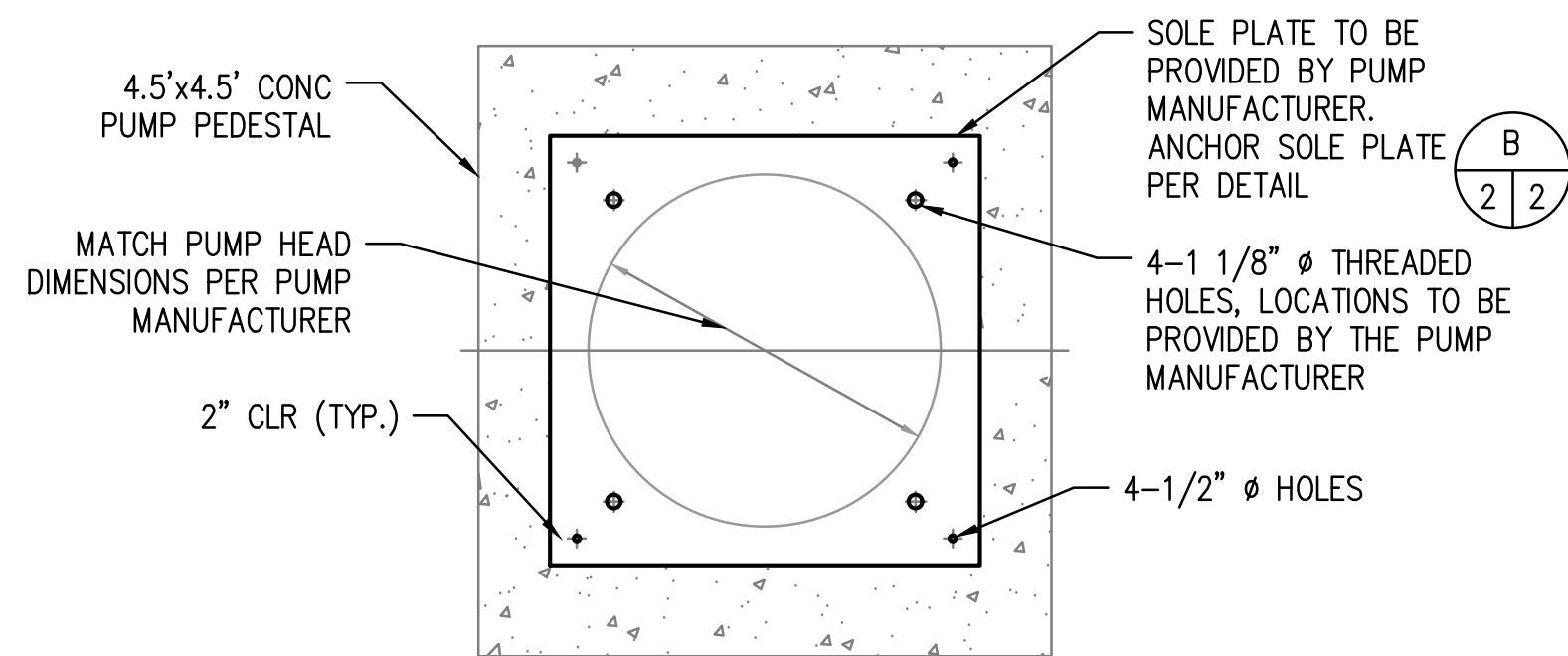
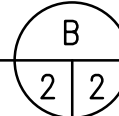


NOTE:

1. 316 SST ANCHOR BOLT & NUT SHALL BE PER PUMP MANUFACTURER'S RECOMMENDATION

SOLE PLATE ANCHOR

NOT TO SCALE

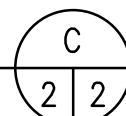


NOTE:

CONTRACTOR TO COORDINATE ACTUAL SOLE PLATE DIMENSION WITH PUMP MANUFACTURER BEFORE ORDERING AND CONSTRUCTING EQUIPMENT.

SOLE PLATE DETAIL

NOT TO SCALE



BENCHMARK AND ELEVATION:
BASED ON WELL NO. 17 DOWNEY RD. & 44TH PROJECT WS1849 AS-BUILT PLAN.



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CITY OF VERNON

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4305 SANTA FE AVE, VERNON, CA 90058
APPROVED

PUBLIC WORKS DIRECTOR: DATE

CITY OF VERNON

WELL NO. 17 PEDESTAL RETROFIT

DETAILS

SHEET

2 OF 2

DWG. NO.
WS 1849A

Attachment 2

Hydrogeological Technical Memorandum for Well No. 17



MEMORANDUM

April 23, 2019

To: Ms. Joanna Hurtado-Moreno
City of Vernon
Sent via email: jmoreno@ci.vernon.ca.us

From: Earl LaPensee & Richard Slade
Richard C. Slade & Associates LLC

Re: Evaluation of Downwell Conditions
City of Vernon (City)
Well No. 17

RCS Job No. 364-LAS12

Introduction

Presented in this Memorandum are the key findings and conclusions, along with our preliminary recommendations for possible well rehabilitation options regarding existing downwell conditions in City Well No. 17, the location for which is shown on Figure 1, "Well Location Map." It was reported by City Engineering Staff in March 2019 that the permanent pump in the well has ceased being able to pump. The pump was subsequently removed by the General Pump Company (GPC) of San Dimas, California. A recent video survey performed by Water Well Redevelopers (WWR) was reviewed by City Staff and reportedly reveals that the well casing is exhibiting a significant amount of corrosion. Consequently, City staff contacted RCS with regard to: review the available data; evaluate the current condition of the well; and provide conclusions and recommendations with regard to possible well rehabilitation options for City Well No. 17. This Memorandum provides a review and technical analysis of available data provided by the City for Well No. 17



Review of Original Well Construction Details

Construction information for the subject well is available from the original State of California Department of Water Resources (DWR) Well Completion Report (aka, "driller's log"). City Well No. 17 was drilled as a municipal-supply water well for the City by the Roscoe Moss Company (RMC) in early-1970, using the direct mud-rotary drilling method. Based on the driller's log (a copy of which is included in the Appendix), the February 27, 1970-dated driller's log documents the following key construction details of the well:

- A 30-inch diameter (dia.) by ¼-inch wall thickness conductor casing (type of steel was reported to be "KoprWell", which could be a copper-bearing type of steel) was installed in a 38-inch diameter borehole, to a depth of 330 ft below ground surface (bgs). The annular space around the outside of this conductor casing was sealed with cement to this depth.
- A 15-inch diameter pilot hole for the well was drilled to a depth of 1,600 ft bgs with a mud-rotary drilling rig. This pilot hole was then reamed to a diameter of 29½ inches to 520 ft, followed by a 27½-inch diameter ream to 1,560 ft bgs.
- All casing material used for the well was documented to consist of "CorTen" (now known as High Strength Low Alloy steel).
- An 18-inch dia., 5/16-inch wall thickness, blank pump house casing was set to a depth of 500 ft. The bottom of this section of blank casing was connected to the top of a 6-foot long section of 18-inch X 16-inch X 5/16-inch wall thickness steel casing reducer, set to a depth of 506 ft bgs. Beneath the casing reducer is a 12-inch dia., 5/16-inch wall thickness, well casing. Perforations were reportedly set between the depths of 510 ft and 1,550 ft bgs.
- The perforations are Roscoe Moss louvers with 6 perforations per row and 6 rows per foot. The openings of these louvers are 3/32-inch (0.094-inch) slots. A Conrock sand pack, consisting of 30% ¼-inch and 70% "620" sand was placed in the annular space around the well casing between ground surface and 1,560 ft bgs. It appears that the gravel pack was emplaced to ground surface. Thus, there is no additional annular cement seal in the well between the well casing and the conductor casing.

Figure 2, "As-Built Well Diagram", illustrates the original construction details of the well, based on the driller's log. Pumping data on the driller's log indicates that at a rate of 2,500 gpm, the drawdown in the well at the date of construction was reported to be 77 ft. Based on a reported static water level (SWL) of 263 ft bgs (in 1970), the pumping water level (PWL) would have been 340 ft bgs. These data reveal that the original specific capacity of the well amounted to 32.5 gpm per foot of drawdown (gpm/ft dd) at that time.



Also included on the RMC driller's log is an undated notation, added later after completion of the original log, indicating that three separate sections of 11 $\frac{7}{8}$ -inch diameter casing liners were installed. The depths of these liner installations were recorded as follows: 504 to 556 ft bgs (first liner), 682 to 690 ft bgs (second liner), and 690 to 696 ft bgs (third liner). The type of steel for these liners was not noted on the log, however.

Available Historic Pumping Data

Data recently obtained from City for the September 2005 through February 2019 time period reveal changes in the specific capacity of the well over this period. These data are summarized in Table 1, "Available Historic Pumping Data". These data are generally based on Southern California Edison (SCE) pump test data, with the exception of the January 1970 data, which was obtained from the original driller's log for the well. The Table 1 data reveal that pumping rates were documented to range from a low value of a recent value of 683 gpm in January 2019, up to a high value of 1,659 gpm in both March 1970 and September 2005. The SWLs have ranged from 215.6 ft bgs in January 2007, to as deep as 263 ft bgs in March 1970 (total fluctuation has been 47.4 ft). The recorded PWLs ranged from as shallow as 291.8 ft bgs in September 2005, to 360.3 ft bgs in May 2016. These PWLs produced drawdowns ranging from 68.1 ft in October 2008 to 107.2 ft in May 2016. Based on these data, specific capacities ranged from as low as 9.5 gpm/ft ddn to as high as the post construction value of 32.5 gpm/ft ddn in February 1970. Between 1970 and 2005, pumping data are unfortunately not available for the well.

Figure 3, "Plot of Available Historic Specific Capacity Data," is a plot of the Table 1 data and illustrates these changes for the January 1970 through January 2019 time period (with the exception of no available data between 1970 and 2005). Figure 3 reveals that the specific capacity of the well began to show a major change in April 2011, and thereafter the specific capacity continued to decline until January 2019. Thus, the abrupt decline in the specific capacity in 2011 could indicate when significant plugging of the perforations commenced. However, this period also appears to coincide with the period when SWLs were also declining. The recent partial leveling-off in the specific capacity may help support this supposition, because southern California (during the fall to winter 2018 to 2019 season) experienced significant rainfall which appears responsible for the January 2019 rise in the SWL by about 15 ft.



Nonetheless, the specific capacity value in January 2019 at 9.5 gpm/ft ddn is only 29% that of the highest specific capacity value of 32.5 gpm/ft ddn in February 1970. Thus, the specific capacity decline since the construction of the well has been significant (23 gpm/ft ddn over 50 years, or at a decline rate of 0.46 gpm/ft ddn per year). However, between 2011 and 2019 the rate of the decline in the specific capacity changed (11 gpm/ft ddn over 9 years or 1.2 gpm/ft ddn per year).

Review of the pumping rates and PWLs also provide additional insight into the changes in specific capacity over time. Figure 4, "Plot of Available Historic Pumping Rates & Pumping Water Levels," shows two separate plots of those two types of data. That plot indicates that pumping rates have shown a steady downward trend over time. However, PWLs appear to fluctuate somewhat, and between 2011 and 2016 the same decline trend seen in specific capacity occurs with PWLs; the exception of January 2019 where the PWL shows an abrupt decrease at 309 ft bgs, compared with the previous 2016 measurement which is about 50 ft deeper. The PWL rise in 2019 likely resulted because of the shallowing in SWLs, compared to the 2016 measurement, and these PWLs may be partly controlled by rainfall recharge of the aquifer system(s). Regardless, the specific capacity in 2019 was at its lowest value and the decrease in the PWL was not enough to raise the specific capacity, even though the pumping rate was at its lowest historic value. Thus, plugging of the casing perforations and/or pump issues may be the two main factors causing the decrease in production rates from the subject well.

Review of February 2019 Video Survey

A color video survey of the well was performed on February 4, 2019 by Water Well Redevelopers (WWR) of Fullerton, California, using a combination vertical/sidescan camera. The basic purpose of this video was to document (on a DVD) the downwell conditions of the well casing at that time. During the vertical descent of the camera into the well, the sidescan option was used to occasionally provide a view of the physical condition of the inside walls of the casing and perforations at selected depths. This video was inside the well casing after the pump had been removed; a copy of this video survey and photographs at selected depths are provided in the Appendix. Review of the video survey log revealed the following:

- a. The video commenced at a depth of 2 ft. It is assumed that the top of the light bar on the video camera was referenced to top of casing by WWR field staff, although it



may have been reference to the sidescan camera about 1.5 ft above that point. However, for this Memorandum, RCS is assuming that the datum point is at the sidescan lens view.

- b. The SWL was encountered at a depth of approximately 229 ft below the top of casing (btc). There appeared to be a thin layer of pump lubricating oil on the water surface. Below this, the water inside the casing was clear.
- c. The top of the 18-inch to 12-inch casing reducer appears to have been encountered at a depth of approximately 499 ft btc, as there appears to be a notable casing joint at that point. At a depth of approximately 505 ft btc, the bottom of the reducer appears to have been encountered. However, it appears that a casing liner extending to a depth of approximately 500 ft has also been installed. This casing liner appears to be flared at the top, to allow it to rest on top of the casing reducer. At a depth of 550 ft, the bottom of the casing liner appears to have a sawtooth pattern. Videographs A1 & A2 in the Appendix shows the top and bottom of this casing liner. This appears to be the uppermost of three 11 $\frac{1}{8}$ -inch liners that were noted on the RMC driller's log to have been installed at some unknown time after the well had been constructed.
- d. At a depth of approximately 551 ft btc, the top of the Ful-flo louver-type perforations were encountered. These perforations appeared to be totally plugged. It should be noted that the actual top of the perforations may occur at a depth of 510 ft bgs, as documented on the driller's log for the well (in the Appendix).
- e. Between the top of the louvers and continuing to the total depth of the video log, the casing appears to have a light to mild coating of biological growth. However, it appears that virtually the entire section of perforations appear to be totally plugged. The material coating the casing has a yellow to orange yellow color whereas the material plugging the perforations have a greenish brown color. These colors are indicative of iron-related bacteria (IRB). Videographs A3 and A4 in the Appendix illustrate the growth on the casing walls and the plugged perforations, respectively.
- f. Between a depth of 680 and 693 two individual casing patches were encountered and these appeared to be separated by only 6 inches. The two patches were at depths of 680 to 687 ft and 687 to 693 ft btc. These appear to be the deeper liners Nos. 2 and 3) noted on the RMC driller's log. Videographs A5 and A6 show side camera views of the top of the upper patch and the bottom of the lower patch. The separation between the two patches could not be viewed due to a video issue. Also, dark areas above the louvers indicate the pattern of water flowing out of and upward from those louvers.
- g. Videographs A7, A8 and A9 show additional issues with the encrustation on the casing. One videograph (A7) shows totally plugged perforations while another (A8) shows a tear in the biofilm on the casing, revealing the metal surface underneath. Videograph A9 indicated lack of biofilm coating the casing at 1,133 ft btc but still shows complete plugging of the louvers.
- h. The camera encountered sediment fill near the bottom of the casing at a depth of approximately 1,462 ft btc. Because the bottom of the well has been documented to



be at a depth of 1,550 ft, then there may be at least 88 ft of sediment fill in the well at this time. In addition, there appears to be a section of PVC pipe resting in the well. Videograph A10 shows this sediment fill and the top of the PVC pipe.

The video survey log revealed that the almost total plugging the perforations throughout the well is the likely cause of the dramatic decline in the specific capacity values observed after 2011. Thus, conducting operations to help re-open these louvers could help significantly increase the production from the well.

Conclusions & Recommendations for Well Rehabilitation

The well is now 49 years old and there are no records of it ever having been rehabilitated. It is known that the three casing liners were added at some unknown date following construction of the well. Further, even though the casing appears to outwardly exhibit little sign of corrosion, the louvers throughout the well generally are completely blocked, thereby requiring an attempt at this time to re-open these perforations as much as possible. Thus, it appears feasible at this time to perform a thorough rehabilitation of the well. Thus, such a rehabilitation program could consist of the following:

1. Utilize a steel wire brush to more thoroughly remove any surface material in the well.
2. There are approximately 88 ft of sediment fill and debris at this time in the bottom of the well from 1,462 ft to 1,550 ft bgs. Thus, it may be useful to remove this material by airlifting methods. This will uncover the bottom-most section of louvers now buried within this sediment fill. This amount of sediment fill suggests the well has pumped formation sand in its discharge.
3. Following airlifting, conduct another video survey to observe the section of louvers previously buried.
4. Following this, conduct a Casing Inspection Thickness Measurement (CITM) survey of the blank and louvered portions of the well. This survey will provide information on the current wall thickness of the CorTen steel and could be used to help identify possible areas of the blank and louvered casing where corrosion may have removed some steel mass.
5. Following the CITM survey carefully use either the AirBurst™ or Bore-Blast™ technologies to help break up and dislodge any biological growth plugging the louver openings. When this has been completed, bail sediment fill from the bottom of the casing once again.
6. Perform chemical treatment of the well, using a mixture of hydrogen peroxide (H₂O₂) and an acid-type cleaning mixture, such as HerChemTec's Well Kleen II.
7. Conduct mechanical development, consisting of simultaneous airlifting and surging, and using a double swab tool to help further remove biofilm from the well screen and



gravel pack of the well. Mechanical development should be carefully conducted so as to not cause any damage to the wire-wrapped well screen.

8. Following mechanical development, conduct a second video survey to check on the physical condition of all casing.
9. Install a temporary test pump with the pump intake set at a depth of approximately 400 ft bgs. A flow meter and a Rossum sand testing device on the discharge line should be installed in order to obtain flow rates and flow volumes, and to test for sand content of the discharge, respectively. The flow meter should be calibrated to help provide accurate flow rate and flow volume data.
10. Conduct pumping development for a maximum time period of 48 hours to help further remove any biofilm from the well and gravel pack. If substantial amounts of formation sand are being produced during pumping development, serious consideration should be given to determining if a full casing liner is needed.
11. After a minimum 24 hours have elapsed to allow water levels in the well to recover, perform pumping tests (i.e., step-drawdown and constant-rate pumping tests) to check for any changes in the pumping characteristics of the well.
12. Near the end of the constant rate pumping test, conduct a flowmeter (spinner) survey and depth-specific sampling of the screened intervals.
13. Along with a final video survey of the well, conduct a static (non-pumping) spinner survey to determine the ambient flow in the well.

Opinion of Probable Contractor Cost Estimate for Well Rehabilitation

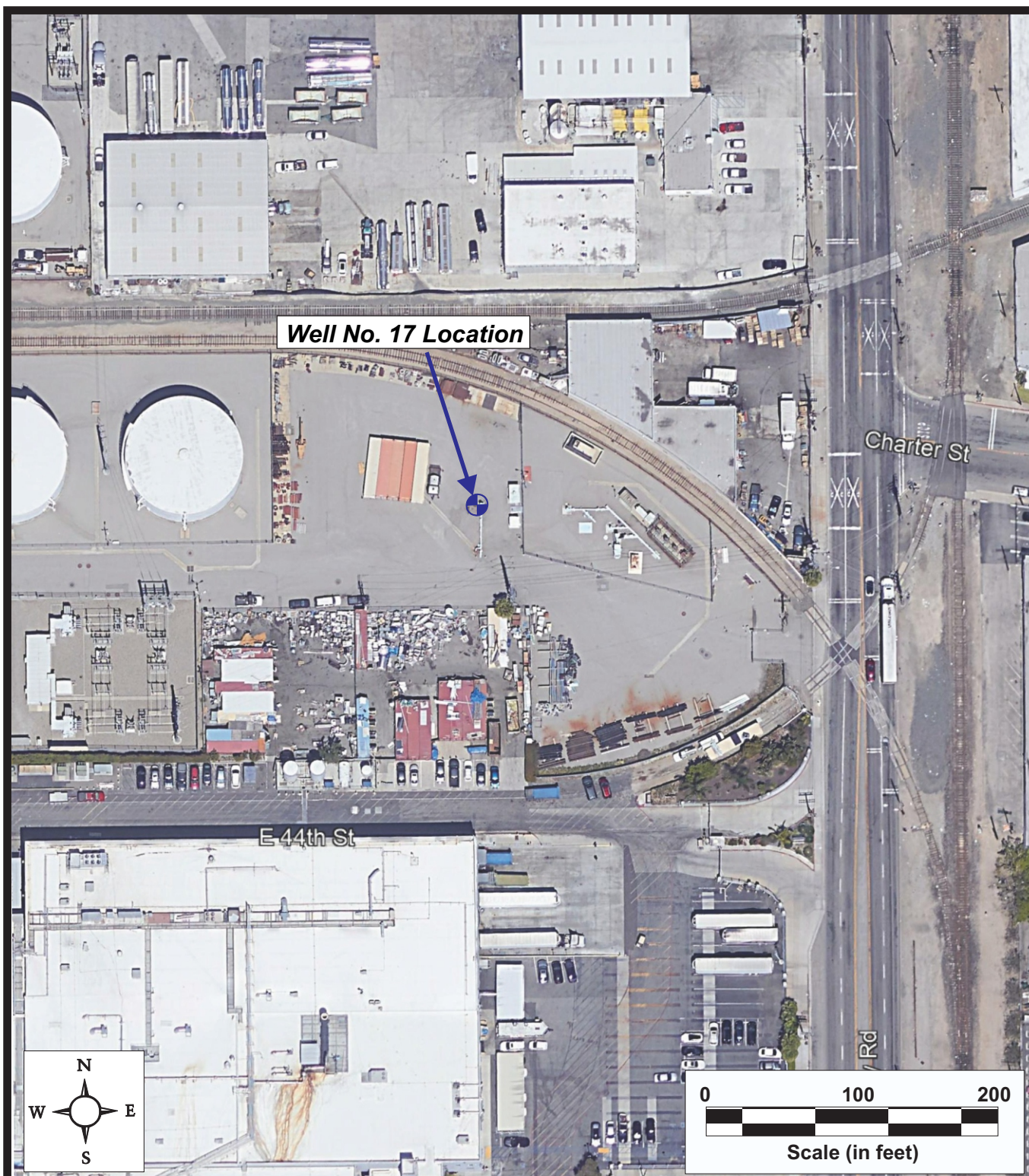
Table 2, "Opinion of Probable Contractor Costs for Rehabilitation of City of Vernon Well No. 17", provides only a line-item listing of the work that is recommended by RCS to be performed on the well, along with the preliminarily-estimated costs for each of the listed tasks for a contractor. It does not and should not constitute a bidding document to be provided by City Staff to prospective contractors to either provide a bid, or to actually conduct the above-recommended work. Any work on the well should be conducted in accordance with a set of Technical Specifications and Line Item Bid Sheets that are prepared, on a case-by-case basis, for wells to be rehabilitated. It is highly recommended that the City have those Specifications and Bid Sheets prepared for competitive bidding purposes, in order to describe, in detail, the methods and protocol to be performed by a prospective contractor for City Well No. 17. Those Technical Specifications will also provide provisions for discharge of the well redevelopment and testing water and details regarding depth-specific groundwater sampling (i.e., number of samples and what constituents that will need to be sampled and tested for).



As stated above, Table 2 provides a preliminary estimate of the probable cost of the rehabilitation (i.e., the “engineer’s estimate”) for the rehabilitation of Well No. 17. The estimated costs and the estimated quantities of each listed item are preliminary and are subject to change once the Technical Specifications are prepared. Based on our above-recommended rehabilitation options, an approximate cost for rehabilitation of the well could be on the order of \$372,000. Please note that this preliminary cost estimate is based on similar recent rehabilitation projects conducted for other agencies and does not include ancillary items such as discharge of well redevelopment and testing fluids to the local storm drain system.

Closure

This Memorandum was prepared for the City of Vernon (City) and presents the findings, conclusions, and preliminary conclusions and recommendations regarding a re-evaluation of downwell conditions in City Well No. 17, prompted by a recent and significant loss in its production. This Memorandum was prepared in accordance with the care and skill generally exercised by reputable professionals, under similar circumstances and in this or similar localities. No other warranty, either expressed or implied, is made as to the professional advice presented. Should you have any questions regarding this Memorandum, please contact us.

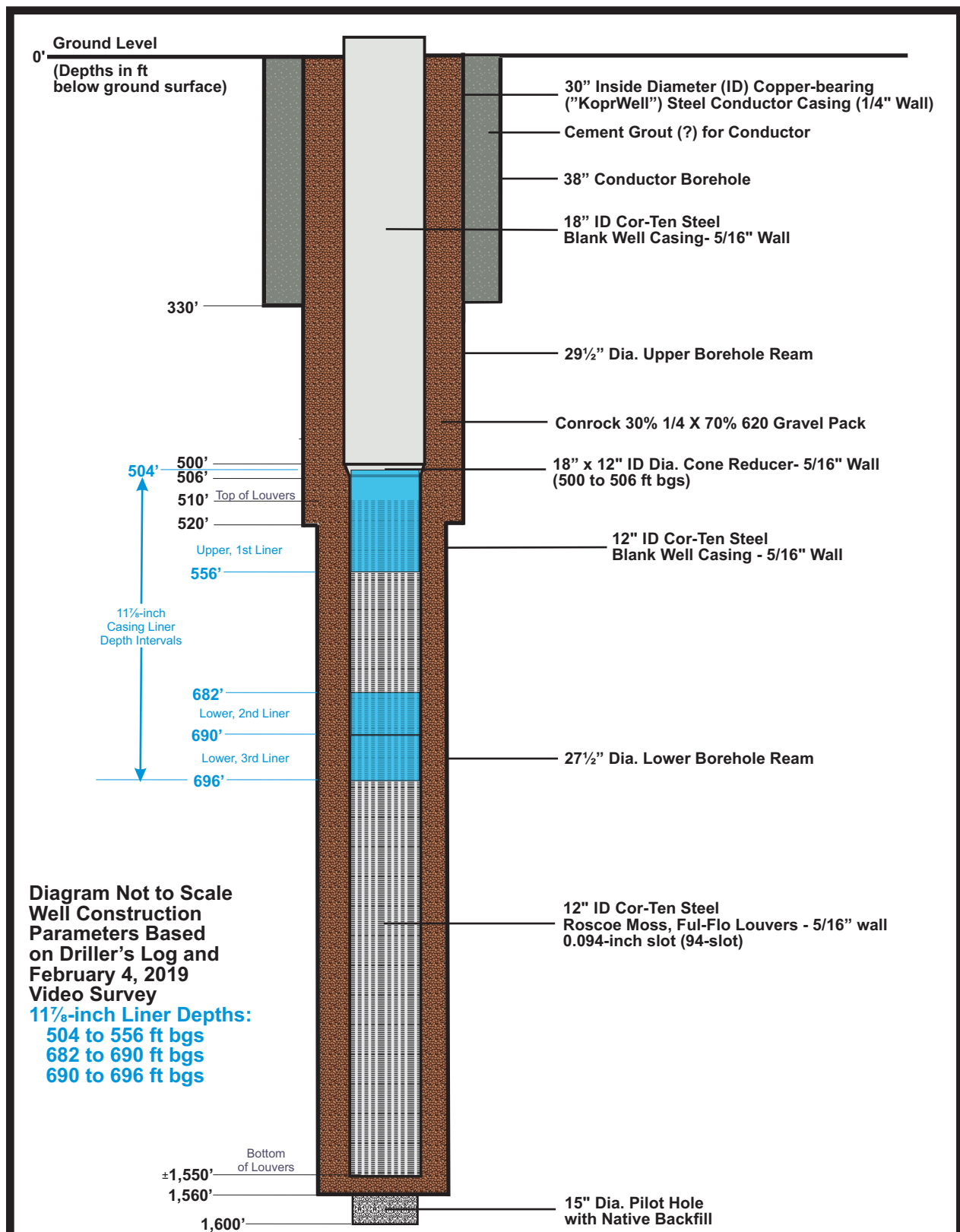


RICHARD C. SLADE & ASSOCIATES LLC
CONSULTING GROUNDWATER GEOLOGISTS
14051 Burbank Blvd., Suite 300
Sherman Oaks, CA 91401
Southern California (818) 506-0418
Northern California (707) 963-3914
www.rcslade.com

FIGURE 1
CITY OF VERNON
WELL No. 17 LOCATION

RCS Job No. 364-LAS12

April 2019

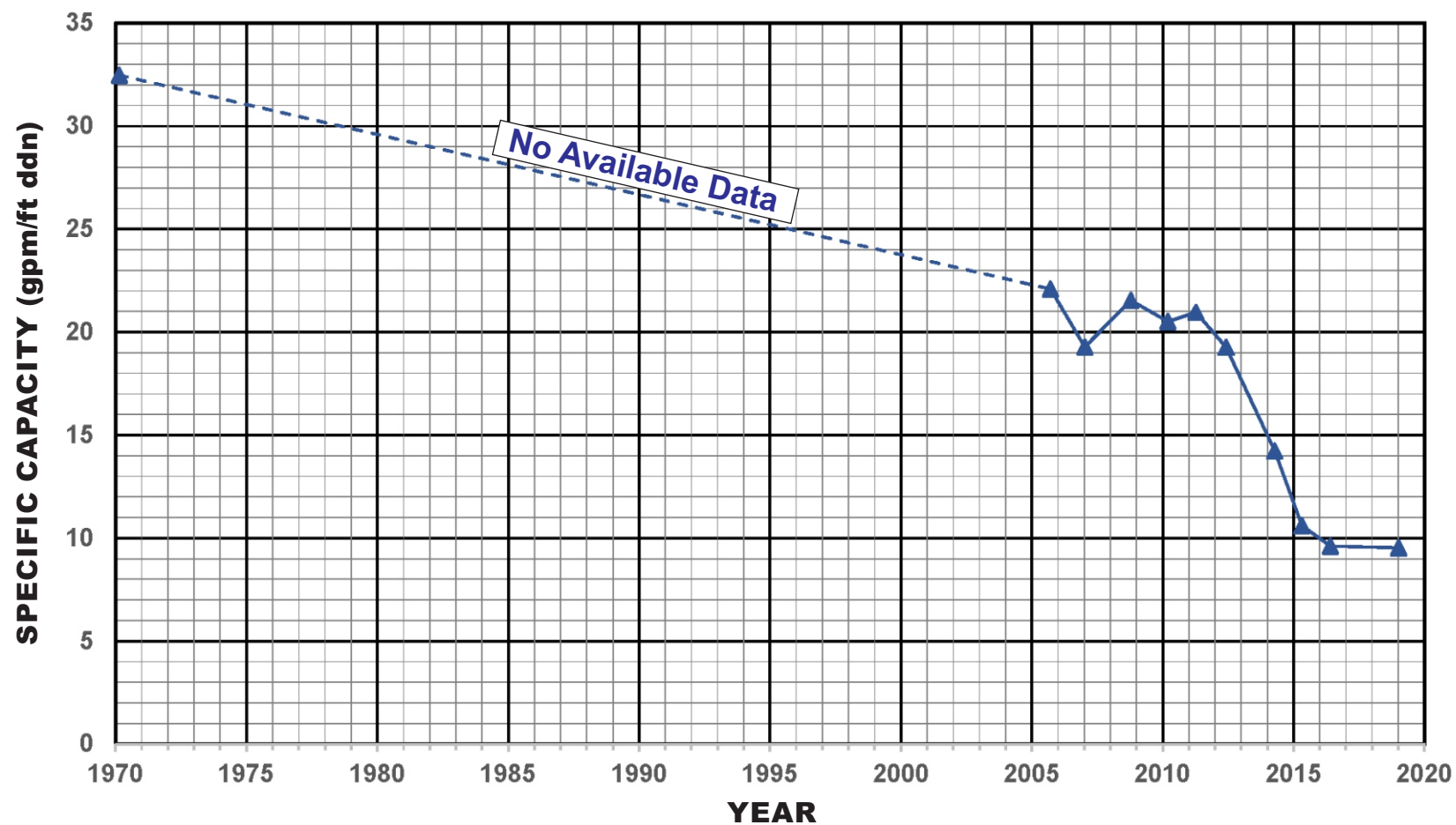


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Napa Phone (707) 963-3914
Fax (818) 506-1343
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FIGURE 2
AS-BUILT WELL DIAGRAM
CITY OF VERNON WELL NO. 17

Job No. 364-LAS12

April 2019

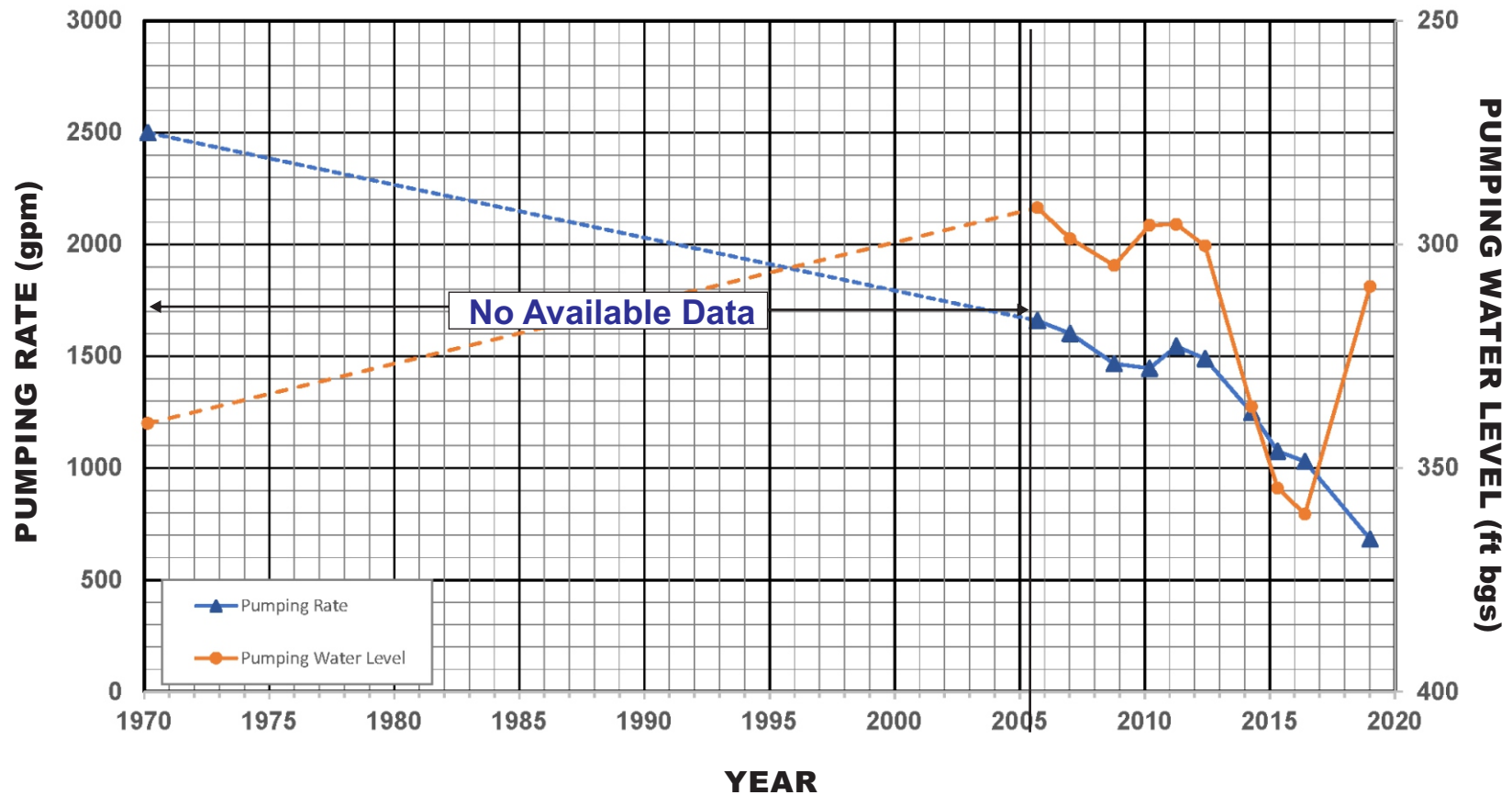


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FIGURE 3
PLOT OF AVAILABLE HISTORIC
SPECIFIC CAPACITY DATA
CITY OF VERNON WELL NO. 17

Job No. 364-LAS12

April 2019



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FIGURE 4
PLOT OF AVAILABLE HISTORIC
PUMPING RATES & PUMPING WATER LEVELS
CITY OF VERNON WELL NO. 17

Job No. 364-LAS12

April 2019

TABLE 1
SUMMARY OF AVAILABLE HISTORIC PUMPING DATA
CITY OF VERNON WELL NO. 17

Date	SWL in ft bgs (ft msl)	Pumping Rate (gpm)	PWL in ft bgs (ft msl)	Water Level Drawdown (ft)	Specific Capacity (gpm/ft ddn)
Feb-70	263.0	2,500	340.0	77.0	32.5
Sep-05	216.7	1,659	291.8	75.1	22.1
Jan-07	215.6	1,602	298.7	83.1	19.3
Oct-08	236.6	1,467	304.7	68.1	21.5
Mar-10	225.2	1,446	295.7	70.5	20.5
Apr-11	221.8	1,545	295.5	73.7	21.0
Jun-12	223.0	1,489	300.3	77.3	19.3
Apr-14	248.6	1,248	336.3	87.7	14.2
Apr-15	253.1	1,075	354.5	101.4	10.6
May-16	253.1	1,030	360.3	107.2	9.6
Jan-19	237.7	683	309.4	71.7	9.5

Note: Data for 1970 are from original RMC driller's log, whereas data from 2005 through January 2019 were provided to RCS by the City (SCE data).

APPENDIX
Roscoe Moss Company Driller's Log
Video Survey Log
Downwell Videographs
From
February 4, 2019 Video Survey

ROSCOE MOSS COMPANY

Form RM114

4360 WORTH STREET
LOS ANGELES, CAL.

Well No. 17 Drilled for City of Vernon
Name City of Vernon
Address 4305 Santa Fe Ave., City Hall
Vernon, California
Location 4355 Downey Road
Vernon, California
Started Work Jan. 26, 1970
Completed Work Feb. 23, 1970
Total Depth Drilled 1600
Total Depth Completed 1550
Drilled By Hydraulic, Reverse Rotary Hydraulic

	DIAMETER	FROM	TO
PILOT BORE	15 in.	0 ft.	1600 ft.
	in.	ft.	ft.
CONDUCTOR BORE	38 in.	0 ft.	330 ft.
	in.	ft.	ft.
COMPLETED WELL BORE	29 1/4 in.	330 ft.	520 ft.
	27 1/2 in.	520 ft.	1560 ft.
	in.	ft.	ft.

CASING AND SCREEN SCHEDULE

Conductor Casing

Material KoprWell
Diameter (OD) (ID) I.D. 30 in. Wall Thickness 1/4 in.
Installed From 0 ft. To 330 ft.
Cemented From 0 ft. To 330 ft.

Well Casing

DIAMETER (ID) 30 in.	WALL	MATERIAL	FROM	TO
18	5/16	CortTen	0	500
18x12	5/16	CortTen	500	506
12	5/16	CortTen	506	510
12	5/16	CortTen	1500	1550

Screen

Type Louver
Material Cor-Ten

DIAM. (ID) (OD)	WALL	NO. PERF. PER ROW	ROWS PER FOOT	SIZE	FROM	TO
12	5/16	6	6	3/32	510	1500

Water level when first started Test 263 ft.
Draw down from standing level 37 ft.
No. of gallons per minute pumped when Test first started 1200
No. of gallons per minute pumped when Test completed 2500
Draw down at completion of Test 77 ft.
Hours Testing Well 155 hrs. 50 minutes
No. of tons gravel installed 250
Gravel size: From -3/8 in. To 1/16 in. (Screen Size)

Formation: Mention size of water gravel —

0	ft. to	10	ft.	Soil
10	" "	64	" "	Clay, some sand and gravel
64	" "	100	" "	Coarse sand & gravel, some clay
100	" "	155	" "	Clay, sand & gravel
155	" "	180	" "	Hard sand & gravel
180	" "	690	" "	Clay, sand & gravel
690	" "	760	" "	Hard sand, rocks & some blue clay
760	" "	790	" "	Blue clay
790	" "	1108	" "	Blue clay, sand & rocks
1108	" "	1122	" "	Blue clay
1122	" "	1210	" "	Blue clay, streaks of hard sand & rocks
1210	" "	1375	" "	Blue clay & sand
1375	" "	1399	" "	Blue clay & hard sand streaks
1399	" "	1475	" "	Blue clay & sand stone
1475	" "	1499	" "	Hard blue clay, sand and gravel streaks
1499	" "	1600	" "	Blue clay, some sand
	" "		" "	
	" "		" "	
	" "		" "	
	" "		" "	

NOTE: Three Liners installed in 12-3/4" O. D. Casing as shown below.

Liner " 11-7/8" I.D. from 504' - 556'
Liner " 11-7/8" I.D. from 682' - 690'
Liner " 11-7/8" I.D. from 690' - 696'.
" " " "
" " " "
" " " "
" " " "
" " " "
" " " "
" " " "
" " " "
" " " "

Development Record

Was Well Swabbed? Yes
Method Line Swab & Cable Tool
No. of Hours 28
Total Material Removed 143
Gravel Added
Rig No. 42 & 49 Developer T. Cunningham
Give any additional data which may be of future value Con Rock
30% 1/2" x 70% 620 sand used for gravel
pack.
Date of report February 27, 1970
J. Norris, S. Bechtol, J. Janicka
Driller
Type and Rig No. used Rotary #8, L. Kirkland, Supt.

WATER WELL VIDEO REPORT

Water Well Redevelopers

17

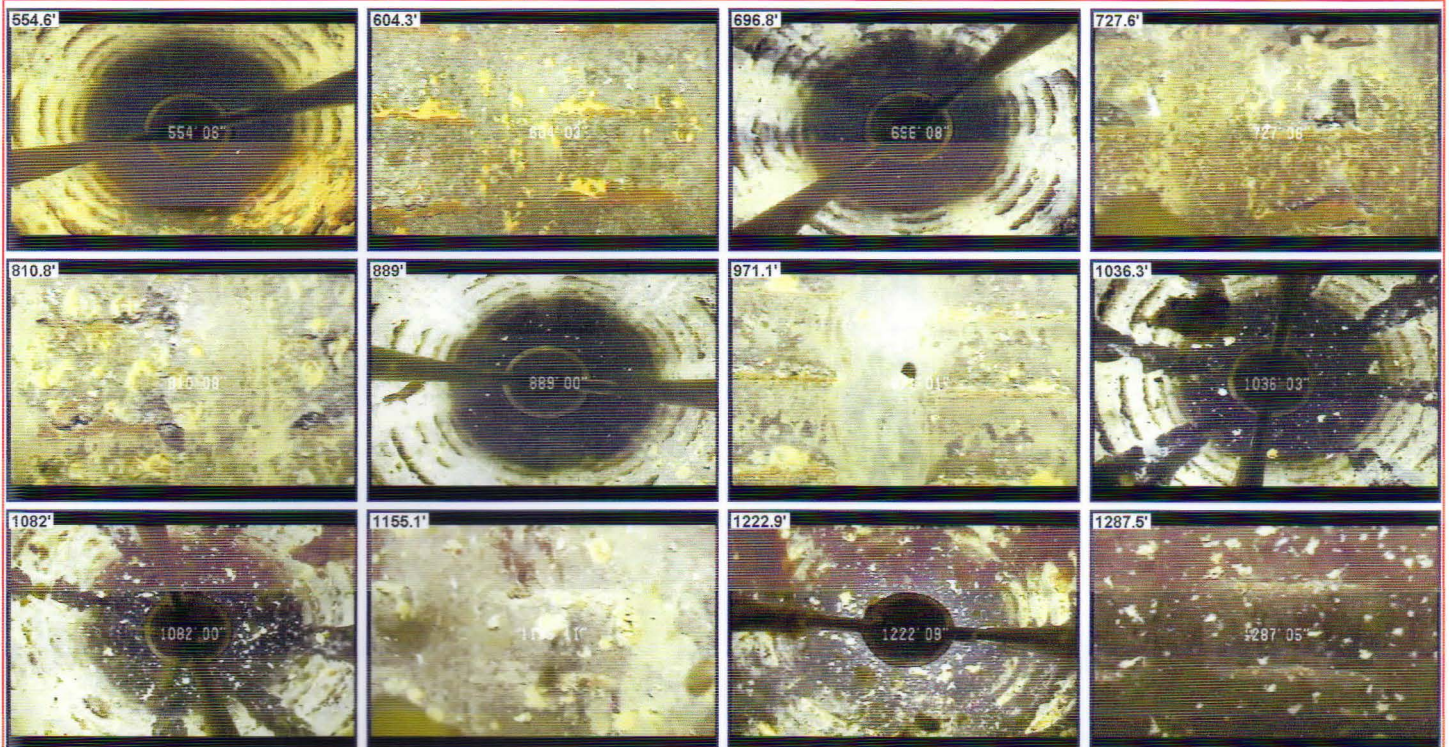
City of Vernon

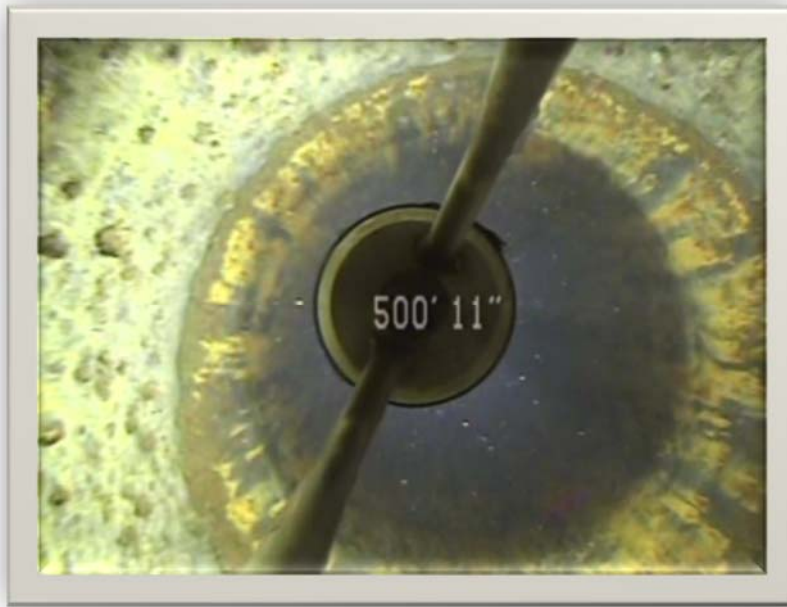
2881 Blue Star St. Anaheim, CA. 92806

Phone: 7146327003 Fax: 7146327306 Web: sonar7003@sbcglobal.net

Client: General Pump Co. Survey Date: February 4, 2019
 Address: 159 N. Acacia St.
 City: San Dimas, CA 91773 Operator: John Mac Donald
 Requested By: Mark
 Copy To: City of Vernon T.W.D.: 1464 Ft. Zero Top Of Casing
 Reason For Survey: Verify condition of casing S.W.L.: 227 Ft. P.W.L.: T.P.S.:
 Location: 4355 Downey Rd. Vernon Ca.
 Other Information:

CASING INFORMATION		DEPTHS	VIDEO OBSERVATIONS
Standard Louvers 550-1464 Ft.	T.W.D.	554.6 Ft.	Restricted to plugged perforations, Bio-Fouling.
		604.3 Ft.	Plugged perforations. Bio-Fouling.
		696.8 Ft.	Plugged perforations.
	S.W.L.	727.6 Ft.	Plugged perforations.
		810.8 Ft.	Plugged perforations.
		889 Ft.	Plugged perforations.
		971.1 Ft.	Plugged perforations.
		1036.3 Ft.	Plugged perforations.
		1082 Ft.	Plugged perforations.
		1155.11 Ft.	Plugged perforations.
Zero Datum Top Of Casing		1222.9 Ft.	Plugged perforations.
		1287.5 Ft.	Plugged perforations.
	18" Casing		Casing is relatively clean from 0' to 1464' (Bottom)
	0-500 Ft.		exhibiting only a light crusty mineral deposit and also a
Casing Buildup Light	12" Casing		light Bio-Fouling.
	504-1464 Ft.		Patch can be seen from 679' to 693' another patch is at
			550' as per records, but is not visible.
			Majority of perforations are plugged.

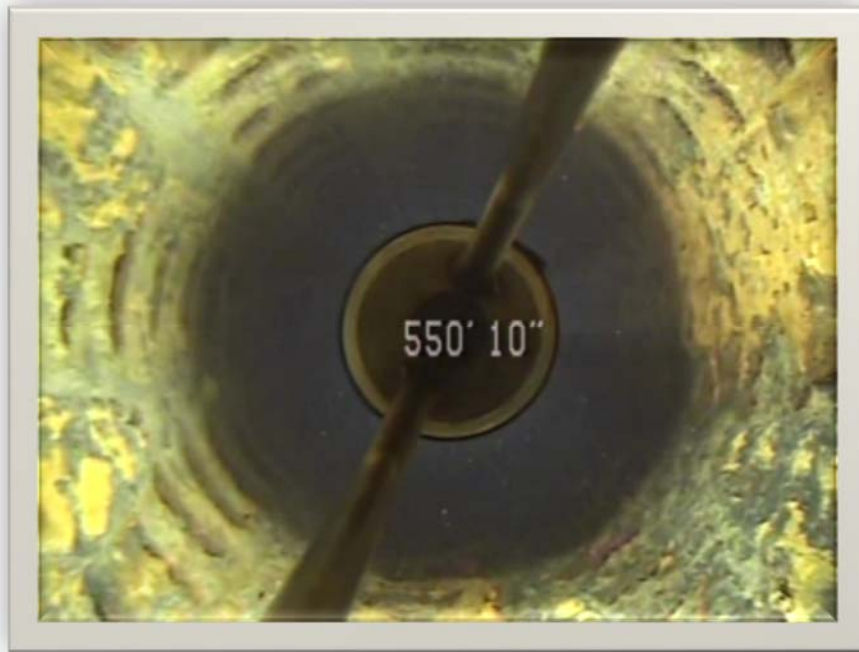




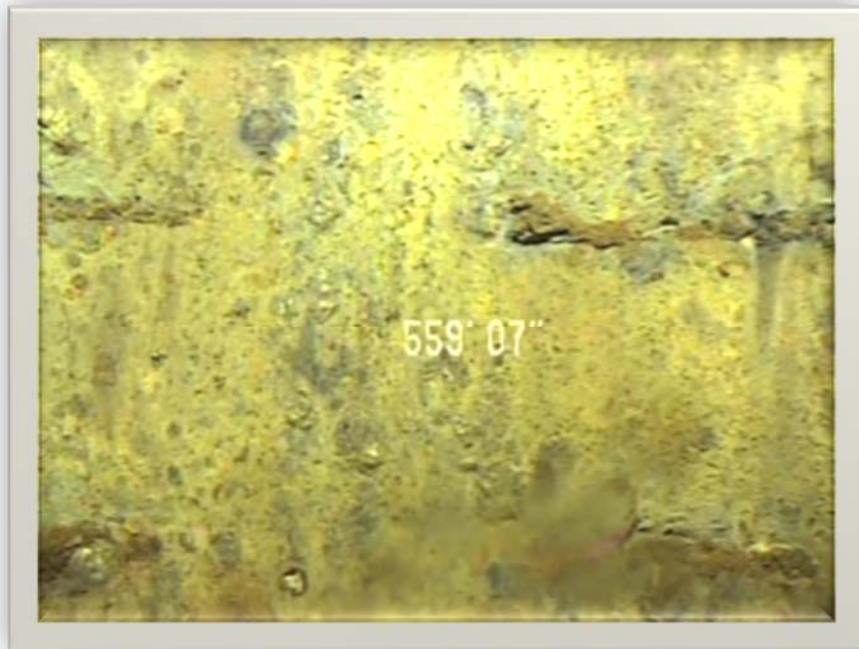
Videograph A1: View of top of flared upper casing liner at reducer.



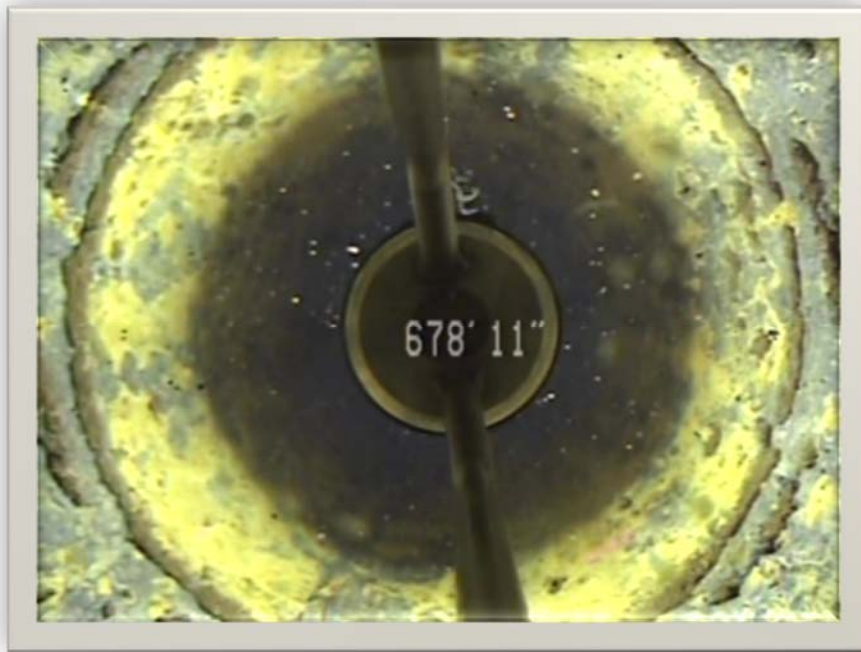
Videograph A2: View of one of the sawteeth bottom of upper casing liner.
Note the plugged perforation to the right of the sawtooth.



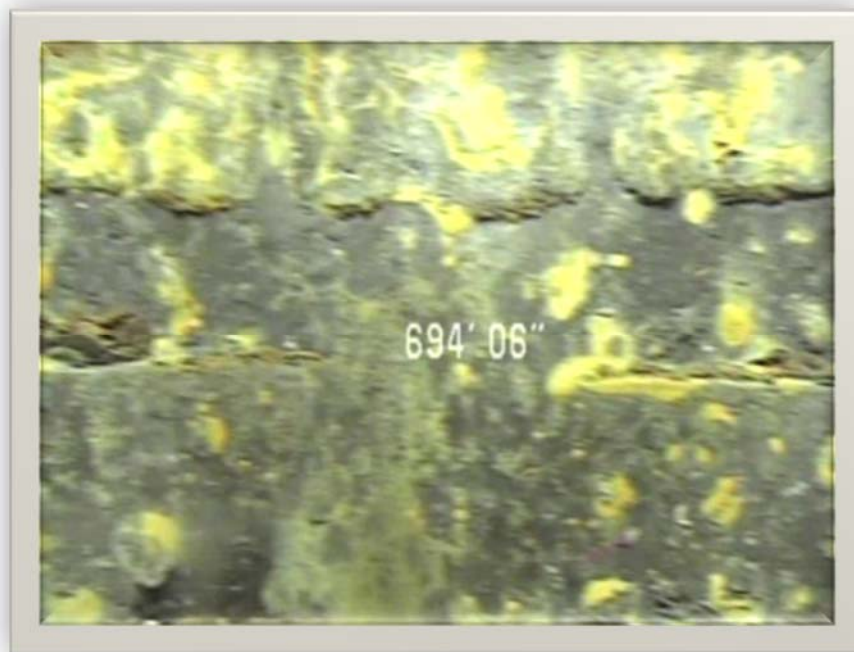
Videograph A3: Downwell view of the well below the first casing patch revealing the biological growth, likely Iron-Related Bacteria (IRB) encrusting the walls and plugging the perforations.



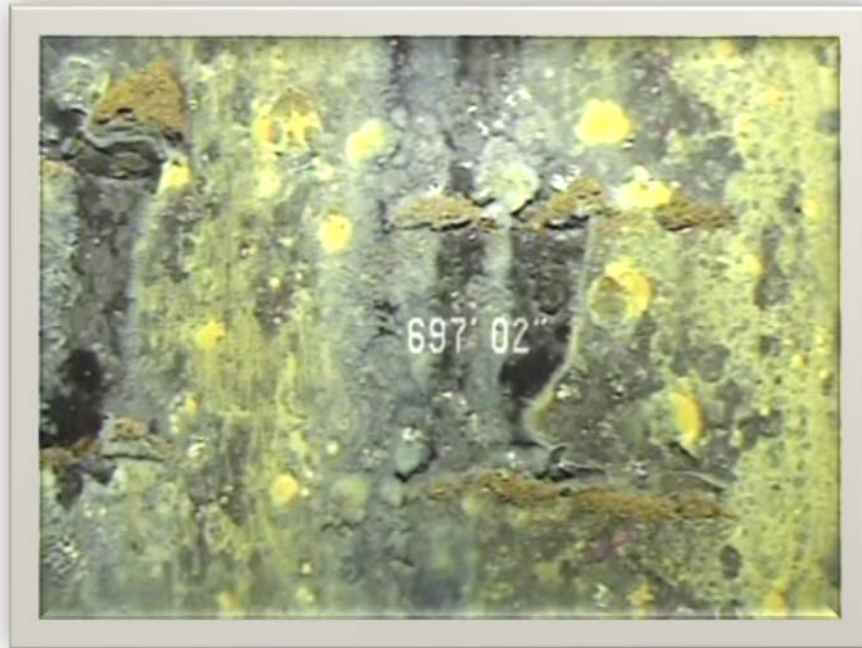
Videograph A4: Sideview of the well casing showing the perforations (louvers) plugged with bacteria. Note the light encrustation of IRB on well casing.



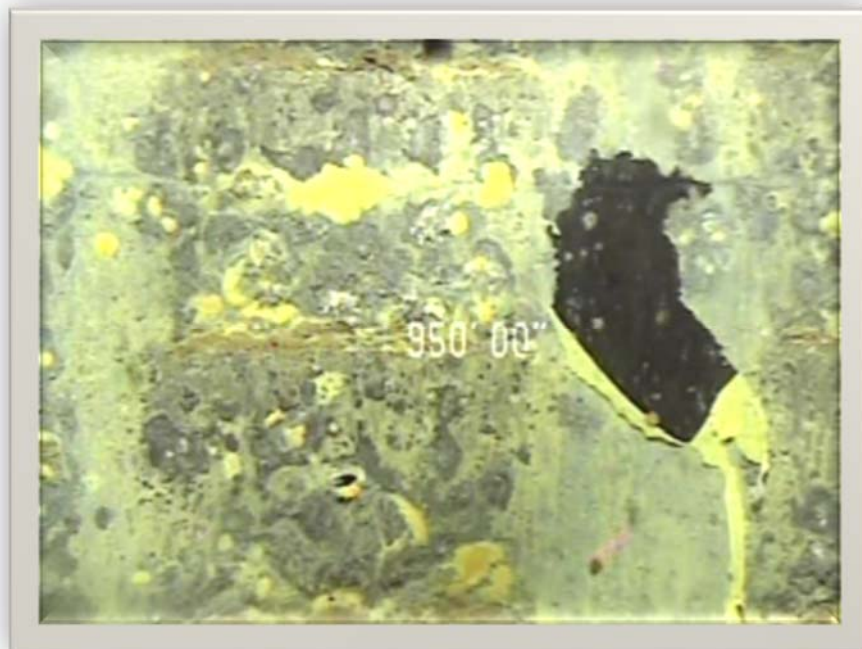
Videograph A5: Downwell view of the well near the top of the 2nd patch at 280 ft btc.
Note the plugged louvers just above the patch.



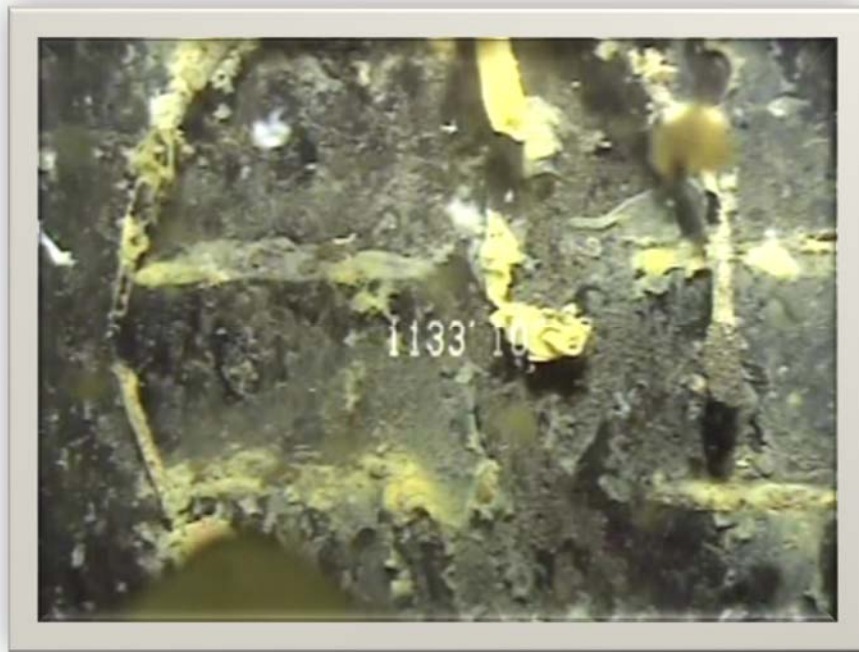
Videograph A6: Sideview of the bottom of the 3rd patch. Note the sawtooth pattern above the louvers at center view. The louvers are totally plugged. Also note the dark patch in lower left corner of videograph. This pattern shows the direction of water flow into the well.



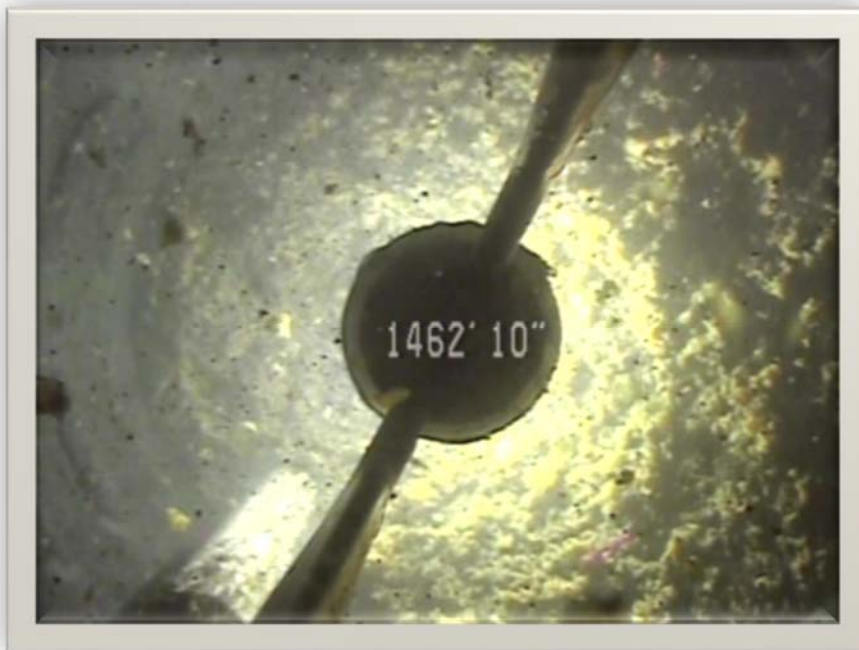
Videograph A7: Another view of partially plugged louvers. Note distinctive dark areas that denote flow patterns above louvers.



Videograph A8: View of the casing walls indicating the light encrustation of the IRB. Note the dark colored area showing evidence of tearing. Also note the dark area above louver in top center of videograph, indicating flow direction at that louver.



Videograph A9: View of the casing walls indicating lack of coating/encrustation of the IRB at the depth shown. However, perforations still exhibit complete plugging.



Videograph A10: Sediment fill in bottom of the casing. Note piece of PVC pipe at 7:00 o'clock

EXHIBIT C LIVING WAGE PROVISIONS

Minimum Living Wages:

A requirement that Employers pay qualifying employees a wage of no less than \$10.30 per hour with health benefits, or \$11.55 per hour without health benefits.

Paid and Unpaid Days Off:

Employers provide qualifying employees at least twelve compensated days off per year for sick leave, vacation, or personal necessity, and an additional ten days a year of uncompensated time for sick leave.

No Retaliation:

A prohibition on employer retaliation against employees complaining to the City with regard to the employer's compliance with the living wage ordinance. Employees may bring an action in Superior Court against an employer for back pay, treble damages for willful violations, and attorney's fees, or to compel City officials to terminate the service contract of violating employers.

EXHIBIT D
EQUAL EMPLOYMENT OPPORTUNITY
PRACTICES PROVISIONS

- A. Contractor certifies and represents that, during the performance of this Agreement, the contractor and each subcontractor shall adhere to equal opportunity employment practices to assure that applicants and employees are treated equally and are not discriminated against because of their race, religious creed, color, national origin, ancestry, handicap, sex, or age. Contractor further certifies that it will not maintain any segregated facilities.
- B. Contractor agrees that it shall, in all solicitations or advertisements for applicants for employment placed by or on behalf of Contractor, state that it is an "Equal Opportunity Employer" or that all qualified applicants will receive consideration for employment without regard to their race, religious creed, color, national origin, ancestry, handicap, sex or age.
- C. Contractor agrees that it shall, if requested to do so by the City, certify that it has not, in the performance of this Agreement, discriminated against applicants or employees because of their membership in a protected class.
- D. Contractor agrees to provide the City with access to, and, if requested to do so by City, through its awarding authority, provide copies of all of its records pertaining or relating to its employment practices, except to the extent such records or portions of such records are confidential or privileged under state or federal law.
- E. Nothing contained in this Agreement shall be construed in any manner as to require or permit any act which is prohibited by law.

City Council Agenda Item Report

Agenda Item No. COV-52-2020

Submitted by: Scott Williams

Submitting Department: Finance/ Treasury

Meeting Date: February 18, 2020

SUBJECT

2020 Electric System Revenue Bonds

Recommendation:

A. Find that approval of the resolution to issue 2020 Electric System Revenue Bonds is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by the Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines; and

B. Adopt a resolution for the issuance of 2020 Electric System Revenue Taxable Series A Bonds in the par amount of approximately \$190 million to provide funds to (a) refund a portion of the City's outstanding 2009 Series A, 2012 Series B and 2015 Series A Electric System Revenue Bonds (b) finance costs of certain capital improvements for the electric system (c) fund a deposit to the Debt Service Reserve Fund, and (d) pay cost of issuance of the 2020 Series Bonds. The resolution provides for flexibility to accommodate interest rate fluctuations that would impact market conditions.

Background:

Currently, interest rates for tax-exempt bonds are at all-time low. In a review of the City's electric system debt profile, it was identified there was an opportunity to undertake a refunding effort of the 2009 Series A, 2012 Series B and 2015 Series A bonds to achieve debt service savings, as well as issue new issuance of up to \$25 million. The new issuance is needed to allow the City convert existing taxable bonds to tax-exempt. The result of this financing effort will decrease debt service, provide immediate available resources for scheduled capital expenditures as well as funding reserves in the electric utility.

This bond restructuring was performed following best business practices including competitive selection processes for the selection of Stradling Yocca Carlson & Rauth for bond and disclosure counsel service, and Goldman Sachs & Co. for Investment Banking and Underwriting Services. In connection with the issuance of the 2020 Series Bonds, staff has tasked Stradling Yocca Carlson & Rauth with additional deliverables and legal work beyond the scope of the aforementioned agreement approved for bond and disclosure counsel service. Staff will request approval of an amendment to said agreement with Bond Counsel at a later time, including any increase in the fee payable to Bond Counsel for its services in connection with the 2020 Series Bonds.

Upon finalizing the Series 2020 bond financial requirements and disclosure documents, City Council will be briefed on the specifics of the bonding transaction before proceeding with the final sale. At that time, staff will request that Council approve a resolution to move forward with the bond transaction, including approval of the Bond Purchase and Sale Agreement with Goldman Sachs, and authorization for the Director of Finance to accept or reject bids and set the interest rates on the bonds sold. A calculation will be done by the City's Financial Advisor to determine the lowest cost investor bids to be accepted. This information will be brought forward to City Council and will be incorporated into the authorizing resolution.

Anticipated Actions and Timeline

There are various milestone actions required to complete the bond financing transaction. The major activities are covered below:

November 19: City Council approval of Attorney Services Agreement (Transactional) with Stradling Yocca Carlson & Rauth for bond and disclosure counsel service
January 21: Selection of Goldman Sachs & Co. for bond financing activities
January 24: Meet with rating agencies to review the City's financial condition
February 5: Post notices of redemption of the 2009 Series A, 2012 Series B, and 2015 Series A Bonds
February 17: Receive bond rating scores
February 18: Post rating scores, Preliminary Official Bond Statement and investor presentation
March 5: Price the bonds for sale based upon market rate conditions
March 10: Final Closing of the Transaction

Council Policy Consideration

This requested action supports the City Council's strategic goal of maintaining fiscal responsibility and stability while listening carefully to the needs of the City's business community.

Fiscal Impact:

The result of this bond refunding and new issuance is projected to be approximately \$190 million in new 2020 Bonds. The components are to refund \$58.0 million in refunding the 2009 Series A bonds, \$31.6 million of 2012 Series B bonds, \$82.7 million of 2015 Series A bonds, and new issuance of \$25 bonds, for a total anticipated savings of approximately \$6 million.

Attachments:

1. [Resolution - 2020 Electric System Revenue Bonds](#)
2. [Instructions and Request Regarding Bonds to Be Refunded \(2009A Bonds\)](#)
3. [Instructions and Request Regarding Bonds to Be Refunded \(2012B Bonds\)](#)
4. [Instructions and Request Regarding Bonds to Be Refunded \(2015A Bonds\)](#)

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON AUTHORIZING AND APPROVING THE ISSUANCE OF ELECTRIC SYSTEM REVENUE BONDS; APPROVING THE SUPPLEMENTAL INDENTURE OF TRUST PURSUANT TO WHICH SUCH BONDS ARE TO BE ISSUED; APPROVING A DISCLOSURE DOCUMENT, A CONTRACT OF PURCHASE, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS IN CONNECTION WITH SUCH BONDS; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the City of Vernon (the "City") is a municipal corporation and a chartered city of the State of California organized and existing under its Charter and the Constitution of the State of California; and

WHEREAS, the City is authorized pursuant to Article II of the City's Charter and the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the City Code of the City of Vernon, to issue bonds, notes and other obligations payable from the Net Revenues of the Electric System (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture mentioned below) to finance the costs of any land, improvements, facilities, equipment and other property of any nature whatsoever which are used in the Electric System and to refund such bonds, notes and other obligations; and

WHEREAS, pursuant to an Indenture of Trust, dated as of September 1, 2008 (the "2008 Master Indenture," and, as amended and supplemented, the "Indenture"), entered into by the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the City has provided the terms and conditions for the issuance and securing of its Electric System Revenue Bonds to finance the Costs of

Capital Improvements to the City's Electric System or to refund any outstanding Parity Obligations; and

WHEREAS, the City desires to provide for the issuance of its Electric System Revenue Bonds, 2020 Series, in one or more subseries, with such designations as determined by the City (collectively, and with such changes to such name as an Authorized Officer (as defined herein) may approve, the "2020 Series Bonds"), for the purpose of providing moneys: (i) to refund one or more of the following series of bonds, in whole or in part, depending on market conditions at the time of issuance of the 2020 Series Bonds: (1) the City's Electric System Revenue Bonds, 2009 Series A; (2) the City's Electric System Revenue Bonds, 2012 Taxable Series B; and/or (3) the City's Electric System Revenue Bonds, 2015 Taxable Series A (collectively, the "Refunded Bonds"); (ii) to finance Costs of Capital Improvements by reimbursing the Electric System for the prior payment of such Costs from the Light and Power Fund and by paying Costs of Capital Improvements to the Electric System (collectively, the "2020 Project"); (iii) to fund a deposit to the Debt Service Reserve Fund; and (iv) to pay Costs of Issuance of the 2020 Series Bonds; and

WHEREAS, the 2020 Series Bonds are to be issued under and pursuant to the 2008 Master Indenture as supplemented by the Fifth Supplemental Indenture of Trust, to be entered into by and between the City and the Trustee (such Fifth Supplemental Indenture of Trust, in the form attached hereto as Exhibit B with such changes, insertions and deletions as are made pursuant to this Resolution being referred to herein as the "Fifth Supplemental Indenture"); and

WHEREAS, under the Indenture, a Reserve Financial Guaranty (as such term is defined in the Indenture) may be deposited in the Debt

Service Reserve Fund established under the Indenture provided that the Reserve Financial Guaranty Provider (as such term is defined in the Indenture) thereof is rated in the highest rating category by each of the applicable rating agencies that rate such Reserve Financial Guaranty Provider; and

WHEREAS, currently, no Reserve Financial Guaranty Providers are rated in the highest rating category by any rating agencies; and

WHEREAS, in order to preserve the City's ability to deposit a Reserve Financial Guaranty in the Debt Service Reserve Fund, the City desires to amend the Indenture to allow the City to deposit a Reserve Financial Guaranty in the Debt Service Reserve Fund if the Reserve Financial Guaranty Provider has a rating at least equal to the rating of the City's Electric System Revenue Bonds, such amendment to be effective upon the defeasance of the City's currently outstanding Electric System Revenue Bonds; and

WHEREAS, the 2020 Series Bonds are to be payable from and secured by a pledge and assignment of the Trust Estate on a parity with all other Bonds issued and Outstanding under the Indenture; and

WHEREAS, Goldman Sachs & Co. LLC, as underwriter (the "Underwriter"), has submitted a proposal to purchase the 2020 Series Bonds in the form of a Contract of Purchase (such Contract of Purchase, in the form attached hereto as Exhibit C with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract"); and

WHEREAS, in connection with the offering and sale of the 2020 Series Bonds there has been prepared a disclosure document in the form of a Preliminary Official Statement (such Preliminary Official Statement in the form attached hereto as Exhibit D with such changes,

insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement"); and

WHEREAS, Rule 15c2-12 requires that, in order to be able to purchase or sell the 2020 Series Bonds, the Underwriter must have reasonably determined that an obligated person has undertaken in a written agreement or contract for the benefit of the owners of the 2020 Series Bonds to provide disclosure of certain financial information and operating data and certain material events on an ongoing basis; and

WHEREAS, in order to cause such requirement of Rule 15c2-12 to be satisfied, the City desires to enter into a Continuing Disclosure Agreement with the Trustee (such Continuing Disclosure Agreement, in the form attached to the form of the Preliminary Official Statement attached hereto as Exhibit D, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Continuing Disclosure Agreement"); and

WHEREAS, Section 8855(i) of the California Government Code requires the City to adopt a debt management policy prior to the issuance of debt obligations; and

WHEREAS, there has been prepared a Debt Management Policy in compliance with the foregoing requirement; and

WHEREAS, in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature), which added Section 5852.1 to the California Government Code, the City has obtained from the Underwriter required good faith estimates relating to the 2020 Series Bonds, and such estimates are disclosed and set forth in Exhibit A hereto; and

WHEREAS, there have been submitted to this meeting drafts of the following:

- (1) the Fifth Supplemental Indenture;
- (2) the Purchase Contract;
- (3) the Preliminary Official Statement, including the Continuing Disclosure Agreement; and
- (4) the Debt Management Policy; and

WHEREAS, after having reviewed and considered the proposal of the Underwriter to purchase the 2020 Series Bonds on the terms and conditions contained in the Purchase Contract, this City Council now desires to authorize the issuance and sale of the 2020 Series Bonds, including the execution of such documents and the performance of such acts as may be necessary or desirable to effect such issuance and sale, and the other actions contemplated by this Resolution.

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

SECTION 1: The City Council of the City of Vernon hereby finds and determines that the foregoing recitals are true and correct.

SECTION 2: The City Council of the City of Vernon finds that this action is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by this Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines.

SECTION 3: The City Council of the City of Vernon hereby approves the Fifth Supplemental Indenture, in substantially the form attached hereto as Exhibit B, and made a part hereof as though set forth in full herein.

SECTION 4: The City Council of the City of Vernon hereby authorizes the Mayor, the Mayor Pro Tem, the City Administrator and the Finance Director/City Treasurer (each an "Authorized Officer"), acting singly, to execute and deliver the Fifth Supplemental Indenture, in the name of and on behalf of the City, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Fifth Supplemental Indenture, said execution being conclusive evidence of such approval, and the City Clerk is hereby authorized to attest thereto.

SECTION 5: The City Council of the City of Vernon hereby authorizes and approves, subject to the limitations specified in this Resolution, the issuance of the 2020 Series Bonds on the terms and conditions set forth in the Fifth Supplemental Indenture. The aggregate principal amount of the 2020 Series Bonds shall not exceed two hundred million dollars (\$200,000,000). The 2020 Series Bonds will be dated as provided in, will bear interest at the rates provided in, will mature on the date or dates provided in, will be issued in the form provided in, will have the Sinking Fund Installments specified in, will be subject to redemption as provided in, and will have such other terms as shall be provided in, the Fifth Supplemental Indenture as the same is completed as provided in this Resolution, provided that no 2020 Series Bond shall bear a stated rate of interest in excess of 5.00% per annum.

SECTION 6: The City Council of the City of Vernon hereby authorizes the Authorized Officer executing the Fifth Supplemental Indenture, subject to the limitations set forth in Section 5 hereof and in this Section 6, to determine the following: (i) the maturity date or dates of the 2020 Series Bonds (but no 2020 Series Bond shall mature

later than August 1, 2050); (ii) the principal amount of the 2020 Series Bonds maturing on each maturity date; (iii) the interest rate or rates for the 2020 Series Bonds maturing on each maturity date; (iv) the maturity or maturities, if any, of the 2020 Series Bonds to be redeemed or paid at maturity from Sinking Fund Installments ("Term 2020 Series Bonds"); (v) the Sinking Fund Installments for the Term 2020 Series Bonds; and (vi) the redemption provisions for the 2020 Series Bonds.

SECTION 7: The net proceeds received on the sale of the 2020 Series Bonds shall be applied to such purposes as are set forth in the recitals to this Resolution in the manner provided in the Fifth Supplemental Indenture.

SECTION 8: The City Council of the City of Vernon hereby approves the Purchase Contract, in substantially the form attached hereto as Exhibit C, and made a part hereof as though set forth in full herein. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the Purchase Contract, in the name of and on behalf of the City, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing said Purchase Contract and as are consistent with the determinations of the terms of the 2020 Series Bonds made pursuant to this Resolution, said execution being conclusive evidence of such approval.

SECTION 9: The City Council of the City of Vernon hereby authorizes the Authorized Officer executing the Purchase Contract to determine the purchase price to be paid for the 2020 Series Bonds under the Purchase Contract; provided, however, that the aggregate Underwriter's discount (not including original issue discount which

shall not exceed 15% of the aggregate principal amount of the 2020 Series Bonds) for the 2020 Series Bonds shall be not more than 0.5% of the aggregate principal amount of the 2020 Series Bonds.

SECTION 10: The City Council of the City of Vernon hereby approves and authorizes the sale of the 2020 Series Bonds to the Underwriter on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby.

SECTION 11: The City Council of the City of Vernon hereby approves the Preliminary Official Statement, in substantially the form attached hereto as Exhibit D, and made a part hereof as though set forth in full herein. Each of the Authorized Officers, acting singly, is hereby authorized to cause the Preliminary Official Statement to be delivered to the Underwriter, in substantially the form attached hereto as Exhibit D with such changes, insertions and deletions as may be approved by the Authorized Officer delivering the Preliminary Official Statement (including without limitation the insertion of the proposed terms of the 2020 Series Bonds), said delivery being conclusive evidence of such approval.

SECTION 12: The Council of the City of Vernon hereby authorizes and approves the use of the Preliminary Official Statement in connection with the offering and sale of the 2020 Series Bonds by the Underwriter, including delivery of the Preliminary Official Statement in electronic form. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12.

SECTION 13: The City Council of the City of Vernon hereby

approves the preparation and delivery to the Underwriters of a final Official Statement (the "Official Statement") relating to the 2020 Series Bonds, and its use by the Underwriters in connection with the offering and sale of the 2020 Series Bonds, including delivery of the Official Statement in electronic form. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Official Statement (including without limitation the insertion of the final terms of the 2020 Series Bonds), said execution being conclusive evidence of such approval. Each of the Authorized Officers, acting singly, is hereby authorized to execute the Official Statement, in the name and on behalf of the City, and thereupon to cause the Official Statement to be delivered to the Underwriters. Each of the Authorized Officers, acting singly, is hereby authorized to approve and execute any amendment or supplement to the Official Statement contemplated by the Purchase Contract, in the name and on behalf of the City, and thereupon to cause such amendment or supplement, to be delivered to the Underwriters.

SECTION 14: The City Council of the City of Vernon hereby approves the Continuing Disclosure Agreement, in substantially the form attached to the form of the Preliminary Official Statement attached hereto as Exhibit D. Each of the Authorized Officers, acting singly, is hereby authorized to execute and deliver the Continuing Disclosure Agreement, in the name of and on behalf of the City, in substantially such form with such changes, insertions and deletions as may be approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval, and the City Clerk is hereby authorized to attest thereto.

SECTION 15: The City Council of the City of Vernon hereby approves the Debt Management Policy, in substantially the form attached hereto as Exhibit E, and made a part hereof as though set forth in full herein.

SECTION 16: The City Council of the City of Vernon hereby authorizes the Authorized Officers: (i) to solicit bids on a municipal bond insurance policy and/or reserve surety for the benefit of the 2020 Series Bonds; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies and related agreements with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the City, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2020 Series Bonds.

SECTION 17: The City Council of the City of Vernon hereby authorizes the Mayor, the Mayor Pro Tem, the City Administrator, the Finance Director/City Treasurer, the City Clerk, the City Attorney, the Director of Public Utilities and any other proper official, officer or employee of the City, acting singly, be and each of them to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or convenient in carrying out the actions authorized by this Resolution and the transactions contemplated by the documents and instruments approved or authorized by this Resolution, including, without limitation, making any determinations or submission of any documents or reports which are required by any rule or regulation of any governmental entity in connection with the issuance and sale of the 2020 Series Bonds and the authorization, execution, delivery and performance by the City of its obligations under the documents and instruments approved or authorized

by this Resolution.

SECTION 18: The City Council of the City of Vernon hereby approves the amendment to the Indenture set forth in Section 5.01 of the Fifth Supplemental Indenture.

SECTION 19: The City Council of the City of Vernon hereby ratifies, approves and confirms all actions heretofore taken by any committee of the City Council, or any official, officer, employee, representative or agent of the City, in connection with the issuance and sale of the 2020 Series Bonds or the authorization, execution, delivery, or performance of the City's obligations under the documents and instruments approved or authorized by this Resolution, including but not limited to the delivery of escrow agreements and/or instructions to The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded Bonds, related to the refunding of the Refunded Bonds and the delivery of redemption and defeasance notices in connection therewith, and the other actions contemplated by this Resolution.

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SECTION 20: The City Clerk of the City of Vernon shall certify to the passage, approval and adoption of this resolution, and the City Clerk of the City of Vernon shall cause this resolution and the City Clerk's certification to be entered in the File of Resolutions of the Council of this City.

APPROVED AND ADOPTED this 18th day of February, 2020.

Name: _____

Title: Mayor / Mayor Pro-Tem

ATTEST:

Lisa Pope, City Clerk

APPROVED AS TO FORM:

Brian Byun,
Senior Deputy City Attorney

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Lisa Pope, City Clerk of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. _____, was duly passed, approved and adopted by the City Council of the City of Vernon at a regular meeting of the City Council duly held on Tuesday, February 18, 2020, and thereafter was duly signed by the Mayor or Mayor Pro-Tem of the City of Vernon.

Executed this ____ day of February, 2020 at Vernon, California.

Lisa Pope, City Clerk

(SEAL)

EXHIBIT A

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Underwriter and has been represented by such party to have been provided in good faith:

- (A) True Interest Cost of the 2020 Series Bonds: 2.33%
- (B) Finance Charge of the 2020 Series Bonds (Sum of all fees/charges paid to third parties): \$765,000
- (C) Net Proceeds of the 2020 Series Bonds to be Received (net of finance charges, reserves and capitalized interest, if any): \$170,001,688
- (D) Total Payment Amount through Maturity of the 2020 Series Bonds: \$191,975,408

The foregoing constitute good faith estimates only. The principal amount of the 2020 Series Bonds, the true interest cost of the 2020 Series Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the 2020 Series Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of 2020 Series Bonds sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the 2020 Series Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the 2020 Series Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the 2020 Series Bonds and the actual principal amount of 2020 Series Bonds sold will be determined by the City based on a variety of factors. The actual interest rates borne by the 2020 Series Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2020 Series Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

EXHIBIT B

**FIFTH SUPPLEMENTAL
INDENTURE OF TRUST**

between

CITY OF VERNON

and

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

Dated as of March 1, 2020

Relating to

\$ _____

**City of Vernon
Electric System Revenue Bonds,
2020 Series A**

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FIFTH SUPPLEMENTAL INDENTURE OF TRUST

THIS FIFTH SUPPLEMENTAL INDENTURE OF TRUST, dated as of March 1, 2020, is entered into by and between the City of Vernon (the “**City**”), a municipal corporation and chartered city of the State of California, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), a national banking association that is duly organized and existing under and by virtue of the laws of the United States of America, authorized to accept and execute trusts of the character in the Indenture set forth.

RECITALS

1. The City has entered into the Indenture of Trust, dated as of September 1, 2008 (the “**Master Indenture**”) by and between the City and the Trustee, to provide for the issuance from time to time by the City of Bonds (capitalized terms used herein shall have the meanings given such terms pursuant to Section 1.03) to, among other things, pay the Cost of Capital Improvements and to refund Outstanding Bonds.

2. The Cost of the Capital Improvements under the Indenture includes all costs of acquiring such Capital Improvements permitted under the Bond Ordinance and includes reimbursing the City for such Costs paid by the City.

3. The Master Indenture authorizes the City and the Trustee to enter into Supplemental Indentures to provide for the issuance of Bonds.

4. The City desires to issue its 2020 Series A Bonds in order to provide moneys: (a) to refund the Refunded 2009A Bonds, Refunded 2012B Bonds and Refunded 2015A Bonds; (b) to finance Costs of Capital Improvements by reimbursing the Electric System for the prior payment of such Costs from the Light and Power Fund and by paying Costs of the 2020 Project; (c) to fund a deposit to the Debt Service Reserve Fund; and (d) to pay Costs of Issuance of the 2020 Series A Bonds.

5. The City has determined that all acts and things have been done and performed which are necessary to make the Indenture, as hereto amended and supplemented and as supplemented by this Fifth Supplemental Indenture, a valid and binding agreement for the security of the 2020 Series A Bonds authenticated and delivered hereunder.

In consideration of the premises, the acceptance by the Trustee of the trusts hereby created and originally created by the Master Indenture, the mutual covenants herein contained and the purchase and acceptance of the 2020 Series A Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal of, Redemption Price, if any, and interest on the 2020 Series A Bonds according to their tenor and effect, and the performance and observance by the City of all the covenants and conditions in the Indenture and in the 2020 Series A Bonds contained on its part to be performed, it is agreed by and between the City and the Trustee as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01 Supplemental Indenture of Trust. This Fifth Supplemental Indenture is supplemental to the Master Indenture.

Section 1.02 Authority for the Fifth Supplemental Indenture of Trust. This Fifth Supplemental Indenture is entered into: (a) pursuant to the Charter and Bond Ordinance; and (b) in accordance with Articles II and VII of the Master Indenture.

Section 1.03 Definitions.

(a) Except as otherwise defined by this Fifth Supplemental Indenture, all terms which are defined in Section 1.01 of the Master Indenture, as amended and supplemented to the date hereof, shall have the same meanings, respectively, in this Fifth Supplemental Indenture as such terms are given in the Master Indenture as so amended and supplemented.

(b) Additional Definitions. The following terms shall, with respect to the 2020 Series A Bonds and for all purposes hereof, have the meanings set forth below:

“Authorized Denominations” means, with respect to the 2020 Series A Bonds, \$5,000 and any integral multiple thereof.

“Fifth Supplemental Indenture” means this Fifth Supplemental Indenture of Trust, supplementing the Master Indenture, as the same may be amended and supplemented in accordance with the provisions of the Master Indenture.

“Independent Investment Banker” means an independent accounting firm, investment banking firm or financial advisor selected by the City to calculate, at the City’s expense, the Make Whole Redemption Price. The initial Independent Investment Banker shall be JPMorgan Securities LLC.

“Interest Payment Date” means, with respect to the 2020 Series A Bonds, August 1, 2020 and each February 1 and August 1 thereafter.

“Record Date” means, with respect to an Interest Payment Date for the 2020 Series A Bonds, the fifteenth day of the month preceding the month in which such Interest Payment Date falls, whether or not such day is a Business Day.

“Refunded 2009A Bonds” means the [\$57,995,000 aggregate principal amount of Electric System Revenue Bonds, 2009 Series A maturing on August 1, 2021].

“Refunded 2012B Bonds” means the [\$35,100,000 aggregate principal amount of Electric System Revenue Bonds, 2012 Taxable Series B maturing on August 1, 2022 through August 1, 2026, inclusive].

“Refunded 2015A Bonds” means the [\$111,720,000 aggregate principal amount of Electric System Revenue Bonds, 2015 Taxable Series A maturing on August 1, 2022 through August 1, 2026, inclusive].

“2020 Capital Improvement Fund” means the 2020 Capital Improvement Fund established pursuant to Section 4.02.

“2020 Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of March 1, 2020, by and between the City and the Trustee relating to the 2020 Series A Bonds.

“2020 Costs of Issuance Fund” means the 2020 Costs of Issuance Fund established pursuant to Section 4.01.

“2020 Delivery Date” means March __, 2020.

“2020 Project” means the following Capital Improvements to the Electric System: (a) replacements and upgrades to substations; (b) voltage conversion projects; (c) cable and wood pole replacements; and (d) other miscellaneous replacements and upgrades to various Electric System facilities constituting components of the City’s Electric System Capital Improvement Plan. The City may substitute other improvements for those listed as components of the 2020 Project in the previous sentence, but only if the City first files with the Trustee a statement of the City: (i) identifying the improvements to be substituted and the improvements to City facilities they replace in the 2020 Project; and (ii) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

“2020 Series A Bonds” means the City’s Electric System Revenue Bonds, 2020 Series A authorized by Article II hereof.

Section 1.04 Interpretation.

(a) Unless the context otherwise indicates, defined terms shall include all variants thereof, 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 and feminine genders, 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) References herein to the Securities Depository shall include both the Securities Depository and any nominee of the Securities Depository in whose name the 2020 Series A Bonds may be registered.

(d) Unless otherwise indicated, references herein to Articles and Sections shall be to the Articles and Sections of this Fifth Supplemental Indenture. The words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Fifth Supplemental Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE 2020 SERIES A BONDS

Section 2.01 Principal Amount and Designation; Conditions to Issuance.

(a) Pursuant to the provisions of the Master Indenture and this Fifth Supplemental Indenture and the provisions of the Charter and the Bond Ordinance, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$____. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "City of Vernon Electric System Revenue Bonds, 2020 Series A." The 2020 Series A Bonds shall be in substantially the form attached hereto as Exhibit A with such variations and omissions as are necessary to reflect the particular terms of each 2020 Series A Bond.

(b) The 2020 Series A Bonds are issued for the purpose of providing moneys: (i) to refund the Refunded 2009A Bonds, Refunded 2012B Bonds and Refunded 2015A Bonds; (ii) to finance Costs of Capital Improvements by reimbursing the Electric System for the prior payment of such Costs from the Light and Power Fund and by paying Costs of the 2020 Project; (iii) to fund a deposit to the Debt Service Reserve Fund; and (iv) to pay Costs of Issuance of the 2020 Series A Bonds.

(c) All (but not less than all) of the 2020 Series A Bonds shall be executed by the City for issuance under the Indenture and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order but only upon receipt by the Trustee of the applicable items required pursuant to Sections 2.04 and 2.07 of the Master Indenture with respect to the 2020 Series A Bonds.

Section 2.02 Terms of the 2020 Series A Bonds; Registration; Denominations; Payment of Principal and Interest.

(a) The 2020 Series A Bonds shall be issued as fully registered Bonds without coupons in Authorized Denominations. The 2020 Series A Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, the initial Securities Depository for the 2020 Series A Bonds, and shall be evidenced by one bond certificate in the total aggregate principal amount of the 2020 Series A Bonds of each maturity. Registered ownership of the 2020 Series A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 3.04 of the Master Indenture.

(b) The 2020 Series A Bonds shall be dated the 2020 Delivery Date.

(c) The 2020 Series A Bonds shall mature on August 1 of the years, in the principal amounts, and shall bear interest at the rates, in each case as set forth below:

<i>Maturity Date (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
20[___]	\$	%

Section 2.03 Terms of Redemption.

(a) The 2020 Series A Bonds with stated maturities on or after August 1, 20___, are subject to redemption prior to their respective stated maturities, as a whole or in part on ___ 1, 20___, or any date thereafter, as directed by the City in a written request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

(b) The 2020 Series A Bonds maturing on August 1, 20___ are also subject to mandatory redemption in part prior to their stated maturity from Sinking Fund Installments established pursuant to subsection (c) of this Section on any August 1 on or after August 1, 20___, at a Redemption Price equal to the principal amount of the 2020 Series A Bonds to be redeemed, without premium.

(c) The following shall be the Sinking Fund Installments for the 2020 Series A Bonds maturing on August 1, 20___. Such installments shall be due on August 1 of each of the years set forth in the following table in the respective amounts set forth opposite such years in said table:

<i>Sinking Fund Installment Due Date (August 1)</i>	<i>Sinking Fund Installment</i>
20[___]	\$

†

† Maturity.

Section 2.04 Application of Proceeds of 2020 Series A Bonds. The proceeds of the sale of the 2020 Series A Bonds (equal to the principal amount thereof, plus/less net original issue premium/discount of \$_____ and less underwriters' discount of \$_____) shall be applied simultaneously with the delivery of the 2020 Series A Bonds, as follows:

- (a) There shall be deposited in the Debt Service Reserve Fund the sum of \$[___];
- (b) There shall be deposited in the 2020 Costs of Issuance Fund the sum of \$[___];
- (c) There shall be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded 2009A Bonds, the sum of \$[___];

(d) There shall be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded 2012B Bonds, the sum of \$[___];

(e) There shall be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunded 2015A Bonds, the sum of \$[___];

(f) There shall be deposited in the 2020 Capital Improvement Fund the sum of \$[___];
and

(g) The City represents and warrants that there has previously been expended from the Light and Power Fund an amount not less than \$[___] which has not been financed or otherwise reimbursed for the Costs of Capital Improvements to transmission, distribution and renewable infrastructure of the Electric System for which the Light and Power Fund has not been reimbursed and which facilities have not otherwise been financed. The City further represents and warrants that such facilities have a book value to the Electric System of not less than such amount. The \$[___] net proceeds of the 2020 Series A Bonds not deposited in or transferred to the Debt Service Reserve Fund, the 2020 Costs of Issuance Fund or the 2020 Capital Improvement Fund are hereby deemed to be applied as a reimbursement to the Electric System for the previous payment of the Costs of such Capital Improvements to transmission, distribution and renewable infrastructure of the Electric System. The City hereby directs that such reimbursement be applied by depositing the sum of \$[___] in the 2020 Capital Improvement Fund.

ARTICLE III

RESERVED

ARTICLE IV

FUNDS

Section 4.01 2020 Costs of Issuance Fund.

(a) The Trustee shall establish and maintain in trust a separate fund designated as the “2020 Costs of Issuance Fund.” Except as provided in subsections (d) and (f) of this Section, money deposited in the 2020 Costs of Issuance Fund shall be used to pay the Costs of Issuance with respect to the 2020 Series A Bonds as provided in this Section.

(b) The Trustee shall make payments from the 2020 Costs of Issuance Fund, except payments and withdrawals pursuant to subsection (d) or subsection (f) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2020 Costs of Issuance Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized City Representative. Each such requisition shall state, in respect of the payment to be made: (i) the name of the Person to whom payment is due; (ii) the amount of such payment; and (iii) the particular item of the Costs of Issuance of the 2020 Series A Bonds to be paid and that such payment in the stated amount is a proper charge against the 2020 Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been paid from moneys in the 2020 Costs of Issuance Fund. The Trustee shall promptly issue its check to the City or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such

requisition, shall by wire transfer, interbank transfer or other method arrange to promptly make each payment required by such requisition. The City shall apply, or cause to be applied, all such moneys received from the 2020 v pursuant to this subsection (b) to the payment of the Costs of Issuance of the 2020 Series A Bonds identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized City Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

(c) [RESERVED]

(d) Upon the receipt by the Trustee of a certificate of an Authorized City Representative requesting the Trustee to close the 2020 Costs of Issuance Fund (or any account therein), and after payment from the 2020 Costs of Issuance Fund of all amounts included in requisitions submitted by the City pursuant to subsections (b) or (c) of this Section, as applicable, the Trustee shall transfer any moneys remaining in the 2020 Costs of Issuance Fund (or the applicable account therein) to the account in the Debt Service Fund specified by the City. Upon such transfer, the Trustee shall close the 2020 Costs of Issuance Fund (or the applicable account therein).

(e) Moneys held in the 2020 Costs of Issuance Fund may be invested and reinvested to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. Any investment earnings on moneys on deposit in the 2020 Costs of Issuance Fund shall be deposited in the 2020 Costs of Issuance Fund and be used in the same manner as other amounts on deposit in the 2020 Costs of Issuance Fund.

(f) Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the 2020 Costs of Issuance Fund shall be applied to the payment of Bond debt service when due.

Section 4.02 2020 Capital Improvement Fund.

(a) The Trustee shall establish and maintain in trust a separate fund designated as the “2020 Capital Improvement Fund.” Money deposited in the 2020 Capital Improvement Fund shall be used to pay Costs of the 2020 Project as provided in subsection (b) of this Section.

(b) The Trustee shall make payments from the 2020 Capital Improvement Fund, except payments and withdrawals pursuant to subsection (f) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2020 Capital Improvement Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized City Representative. Each such requisition shall state, in respect of the payment to be made: (i) the name of the Person to whom payment is due; (ii) the amount of such payment; and (iii) the particular item of the Cost of the 2020 Project to be paid and that such payment in the stated amount is a proper charge against the 2020 Capital Improvement Fund, that no part of such payment shall be applied to any item which has previously been paid as a Cost of the 2020 Project. The Trustee shall promptly issue its check to the City or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer, interbank transfer or other

method arrange to promptly make each payment required by such requisition. The City shall apply, or cause to be applied, all such moneys received from the 2020 Capital Improvement Fund to the payment of the Cost of the 2020 Project identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized City Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

(c) [RESERVED]

(d) Upon the receipt by the Trustee of a certificate of an Authorized City Representative requesting the Trustee to close the 2020 Capital Improvement Fund (or any account therein), and after payment from the 2020 Capital Improvement Fund (or any account therein) of all amounts included in requisitions submitted by the City pursuant to Section 4.02(b) hereof, the Trustee shall transfer any moneys remaining in the 2020 Capital Improvement Fund (or the applicable account therein) to the account in the Debt Service Fund specified by the City. Upon such transfer the Trustee shall close the 2020 Capital Improvement Fund (or the applicable account therein).

(e) Moneys held in an account in the 2020 Capital Improvement Fund may be invested and reinvested to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such account. Any investment earnings on moneys on deposit in an account in the 2020 Capital Improvement Fund shall be deposited in such account and be used in the same manner as other amounts on deposit in such account.

(f) Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the 2020 Capital Improvement Fund (or any account therein) shall be applied to the payment of Bond debt service when due.

ARTICLE V

MISCELLANEOUS

Section 5.01 Amendment to Indenture. The definition of “Reserve Financial Guaranty” set forth in Section 1.01 of the Master Indenture is hereby amended and restated as set forth below. Such amendment shall take effect at such time as all currently outstanding Bonds (excluding the 2020 Series A Bonds) are defeased:

““Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the same rating category (without regard to qualifiers) as the Bonds by S&P and Moody’s and, if rated by A.M. Best & Company, also in the same rating category (without regard to qualifiers) as the Bonds by A.M. Best & Company.”

Section 5.02 Indenture to Remain in Effect. Save and except as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and this Fifth Supplemental Indenture, the Master Indenture shall remain in full force and effect.

Section 5.03 Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all the provisions of the 2020 Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the City to comply with the 2020 Continuing Disclosure Agreement shall not be considered an Event of Default and the Trustee shall have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee, upon receipt of indemnification reasonably satisfactory to it, and the Owners of not less than 25% in principal amount of the Outstanding 2020 Series A Bonds 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 in this Section and the 2020 Continuing Disclosure Agreement.

Section 5.04 Tax Covenants. Notwithstanding any other provision of the Indenture, absent an Opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2020 Series A Bonds will not be adversely affected for federal income tax purposes, the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2020 Series A Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City will take no action, refrain from taking any action and make no use of the proceeds of the 2020 Series A Bonds or of any other moneys or property which would cause the 2020 Series A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The City will make no use of the proceeds of the 2020 Series A Bonds or of any other amounts or property, regardless of the source, and will take no action and refrain from taking any action which will cause the 2020 Series A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City will make no use of the proceeds of the 2020 Series A Bonds and will not take or omit to take any action that would cause the 2020 Series A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2020 Series A Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City will make no use of the proceeds of the 2020 Series A Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the 2020 Series A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2020 Series A Bonds for federal income tax purposes; and

(f) Miscellaneous. The City will take no action and refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the 2020 Series A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City from issuing Bonds or causing the Trustee to execute and deliver contracts payable on a parity with the 2020 Series A Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 5.05 Rebate Account.

(a) Establishment. The Trustee shall establish an account for the 2020 Series A Bonds within the Rebate Fund designated the “2020 Series A Rebate Account” when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Series A Bonds will not be adversely affected, the City shall cause to be deposited in the 2020 Series A Rebate Account such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate relating to the 2020 Series A Bonds. All money at any time deposited in the 2020 Series A Rebate Account shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the 2020 Series A Rebate Account shall be governed by this Section and the Tax Certificate relating to the 2020 Series A Bonds, unless and to the extent that the City delivers to the Trustee an Opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Series A Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate relating to the 2020 Series A Bonds, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all written requests of the City; (ii) shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate relating to the 2020 Series A Bonds; (iii) may rely conclusively on the City’s calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the City’s calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate relating to the 2020 Series A Bonds), the City shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate relating to the 2020 Series A Bonds (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “**1½% Penalty**”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the written request of the City, an amount shall be deposited to the 2020 Series A Rebate Account by the Trustee from any Net Revenues legally available for such purpose (as specified by the City in the aforesaid written request), if and to the extent required so that the balance in the 2020 Series A

Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the 2020 Series A Rebate Account exceeds the amount required to be on deposit therein, upon written request of the City, the Trustee shall withdraw the excess from the 2020 Series A Rebate Account and then credit the excess to the Debt Service Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by written Request of the City, to the United States Treasury, out of amounts in the 2020 Series A Rebate Account:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all of the 2020 Series A Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the 2020 Series A Rebate Account, the amount in the 2020 Series A Rebate Account is not sufficient to make such payment when such payment is due, the City shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the City), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the 2020 Series A Rebate Account after redemption and payment of the 2020 Series A Bonds and the payments described in subsection (a) above being made may be withdrawn by the City and utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2020 Series A Bonds.

Section 5.06 Notice to Rating Agencies. The Trustee or the City, as appropriate, shall provide each Rating Agency with prompt written notice of: (a) the appointment of any successor Trustee; (b) the first date on which no 2020 Series A Bonds are Outstanding; (c) any material amendments to the Master Indenture or this Fifth Supplemental Indenture; (d) any acceleration of the 2020 Series A Bonds pursuant to Section 10.04 of the Master Indenture; or (e) any redemption in whole of the 2020 Series A Bonds.

Section 5.07 Notices. Unless otherwise provided herein, all notices, certificates or other communications hereunder shall be deemed sufficiently given upon actual receipt thereof when received by the City, the Trustee or a Rating Agency, as the case may be, at the respective address provided pursuant to this Section or, if mailed by first class mail, postage prepaid, addressed to the

appropriate address provided pursuant to this Section, six Business Days after deposit in the United States mail or, if by Electronic means of communication delivered to the appropriate email address provided pursuant to this Section, if any, on the date of receipt of such Electronic communication. The initial addresses for notices, counterparts and other communications hereunder are as follows:

If to the City:	City of Vernon 4305 Santa Fe Avenue Vernon, California 90058 Attention: City Administrator Email: cfandino@ci.vernon.ca.us
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust Reference: City of Vernon 2020
If to S&P, to:	Standard & Poor's Ratings Services 55 Water Street, 38th Floor New York, New York 10041 Attention: Public Finance Department

Each of City, the Trustee, and the Rating Agency may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications to it shall be sent. Unless otherwise requested by the City, the Trustee or a Rating Agency, any notice required to be given hereunder in writing may be given by any form of Electronic notice capable of making a written record.

Section 5.08 Counterparts. This Fifth Supplemental Indenture may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the City of Vernon has caused this Fifth Supplemental Indenture to be signed in its name and on its behalf by its City Administrator and attested by its City Clerk and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by one of its authorized officers, all as of the date set forth above.

CITY OF VERNON

By: _____
Carlos R. Fandino, Jr.
City Administrator

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Hema P. Patel, City Attorney

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

By: _____
Authorized Officer

EXHIBIT A

FORM OF 2020 SERIES A BONDS

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE CITY OF VERNON OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED 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.

**CITY OF VERNON
ELECTRIC SYSTEM REVENUE BOND,
2020 SERIES A**

No. R-_____ \$_____

Interest Rate

Dated Date

Maturity Date

CUSIP No.

%

March __, 2020

August 1, 20__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

THE CITY OF VERNON (herein called the “City”), a municipal corporation and chartered city of the State of California, acknowledges itself indebted to, and for value received hereby promises to pay (but only out of the Net Revenues (capitalized terms used herein shall have the meanings given such terms pursuant to the Indenture mentioned below) and other assets pledged therefor and available for such payment pursuant to the Indenture) to the Registered Owner specified above or registered assigns, on the Maturity Date specified above (unless this Bond shall have been previously called for redemption in whole or in part and payment of the Redemption Price shall have been duly made), the Principal Amount specified above, in lawful money of the United States of America and to pay interest thereon (but only from said Net Revenues and other pledged assets available for such payment pursuant to the Indenture) in like lawful money until payment of such principal sum shall be discharged as provided in the Indenture, at the rate set forth above.

Except as otherwise provided in the Indenture with respect to Bonds held by a Securities Depository, the principal or, if applicable, the Redemption Price, hereof is payable upon surrender hereof at the designated Principal Office of the Trustee under the Indenture (the “Trustee”). The current Trustee is The Bank of New York Mellon Trust Company, N.A., and its designated Principal Office is its principal corporate trust office in Los Angeles, California, or such other place as designated by the Trustee. Except as otherwise provided with respect to 2020 Series A Bonds held by a Securities Depository, interest hereon is payable by check mailed on each Interest Payment Date to the Owner hereof as of the applicable Record Date at the address appearing on the Bond Register maintained by the Trustee; provided Owners of at least \$1,000,000 aggregate principal amount of

2020 Series A Bonds may, at any time prior to a Record Date, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such 2020 Series A Bonds by wire transfer or by deposit to an account within the United States of America.

This Bond is one of a duly authorized issue of bonds of the City designated as “City of Vernon, Electric System Revenue Bonds” (the “Bonds”) and of a Series of the Bonds designated as “Electric System Revenue Bonds, 2020 Series A” (the “2020 Series A Bonds”). The 2020 Series A Bonds are issued pursuant to the Charter and the Bond Ordinance. The 2020 Series A Bonds have been issued in the aggregate principal amount of \$[___]. The 2020 Series A Bonds are issued under, and, together with all other Bonds issued and outstanding thereunder, are equally and ratably secured by a pledge of the Trust Estate under, and entitled to the protection given by, the Indenture of Trust, dated as of September 1, 2008, between the City and the Trustee, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020 between the City and the Trustee (said Indenture of Trust, as heretofore amended and supplemented and as the same may be further amended and supplemented, is herein called the “Indenture”).

As provided in the Indenture, Bonds of the City may be issued thereunder from time to time pursuant to Supplemental Indentures in one or more Series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the Indenture are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

Copies of the Indenture are on file at the City Hall of the City and at the Principal Office of the Trustee and reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the City, the Trustee and the Owners of the Bonds and the terms upon which the Bonds are secured and payable under the Indenture, the rights and remedies of the Owners of the 2020 Series A Bonds, the limitations on such rights and remedies and the terms and conditions upon which Bonds are issued and may be issued thereunder. The Indenture provides that other Parity Obligations secured by a pledge of Revenues and amounts in the Light and Power Fund on a parity with the Bonds may be issued or incurred by the City on the terms set forth therein. By acceptance of this Bond, the Registered Owner accepts and agrees to the terms of the Indenture.

This Bond is a special obligation of the City and the principal of, Redemption Price, if any, and interest on this Bond are payable solely from the Net Revenues, the amounts in the Light and Power Fund available for such payment pursuant to the Indenture, and the amounts in the Funds held by the Trustee under the Indenture other than the Rebate Fund. The City’s obligation to pay and the principal of, Redemption Price, if any, and interest on this Bond shall not constitute a charge against the general credit of the City. This Bond is not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which pledge is subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein.

Neither the faith and credit nor the taxing power of the State of California, the City or any other public agency is pledged to the payment of the principal or Redemption Price of or the interest on this Bond. The issuance of this Bond shall not directly, indirectly or contingently obligate the City Council of the City to levy or pledge any form of taxation or to make any appropriation for the

payment of this Bond. The payment of the principal or Redemption Price of or interest on this Bond does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of the City as provided in the Indenture). Neither the members of the City Council of the City, nor any person executing this Bond, nor any officer or employee of the City, shall be individually liable for the principal or Redemption Price of or interest on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond or in respect of any undertakings by the City under the Indenture.

Interest on the 2020 Series A Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

The term "Interest Payment Date" means, with respect to the 2020 Series A Bonds, August 1, 2020 and each February 1 and August 1 thereafter.

The term "Record Date" means, with respect to an Interest Payment Date for the 2020 Series A Bonds, the fifteenth day of the month preceding the month in which such Interest Payment Date falls.

The 2020 Series A Bonds are subject to redemption [___].

If less than all of the 2020 Series A Bonds of a maturity are to be redeemed, the particular 2020 Series A Bonds of such maturity to be redeemed shall be selected as provided in the Indenture.

The 2020 Series A Bonds are payable upon redemption upon surrender thereof at the Principal Office of the Trustee. The Trustee shall give notice, in the name of the City, of the redemption of 2020 Series A Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the redemption date to the Owners of any 2020 Series A Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice shall specify the Series and maturity of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption shall be payable and, if less than all of the 2020 Series A Bonds of a maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2020 Series A Bonds so to be redeemed, and, in the case of 2020 Series A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Subject to the provisions of the next paragraph, such notice shall further state that on such redemption date there shall become due and payable upon each 2020 Series A Bond to be redeemed the Redemption Price thereof (or the Redemption Price of the specified portion of the principal amount thereof to be redeemed in the case of a 2020 Series A Bond to be redeemed in part only) and that from and after such date interest on such 2020 Series A Bond (or the portion of such 2020 Series A Bond to be redeemed) shall cease to accrue and be payable.

In the event that funds required to pay the Redemption Price of 2020 Series A Bonds to be redeemed at the option of the City are not on deposit with the Trustee at the time the Trustee gives notice of redemption to the Owners of such 2020 Series A Bonds, such notice shall state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the 2020 Series A Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the City shall not be required to redeem such 2020 Series A Bonds. In the event a notice of redemption of 2020 Series A Bonds contains such a condition and such moneys are not so

received, the redemption of 2020 Series A Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there shall be no redemption of 2020 Series A Bonds pursuant to the conditional notice of redemption.

Receipt of notice of redemption shall not be a condition precedent to the redemption of 2020 Series A Bonds and failure of any Owner of a 2020 Series A Bond to receive any such notice or any insubstantial defect in such notice shall not affect the validity of the proceedings for the redemption of 2020 Series A Bonds.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the City with, in certain cases, the written consent of the Owners of at least a majority in principal amount of the Bonds then Outstanding under the Indenture; and, in case less than all of the Bonds would be affected thereby, with such consent of the Owners of a majority in principal amount of the affected Outstanding Bonds; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of the calculation of Outstanding Bonds for purposes of such consent. No such modification or amendment shall permit a change in the terms of any Sinking Fund Installment or the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment without the consent of the Owners of all of the Bonds then Outstanding, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

The Indenture may also be amended or supplemented without the necessity of the consent of the Owners of the 2020 Series A Bonds for any one or more of the purposes specified in the Indenture.

This Bond is transferable, as provided in the Indenture, only upon the Bond Register kept for that purpose at the Principal Office of the Trustee, by the registered Owner hereof, or by his duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Owner or his duly authorized attorney. Thereupon and upon payment of the charges prescribed in the Indenture a new registered 2020 Series A Bond, without coupons, and for the same maturity and aggregate principal amount, shall be issued to the transferee in exchange therefor as provided in the Indenture. The City, the Trustee and any Paying Agent may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes.

The registered Owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds

issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon.

It is hereby certified and recited that all conditions, acts and things required by law, including the City Charter and the Bond Ordinance, and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner and that the 2020 Series A Bonds, together with all other indebtedness of the City, comply in all respects with the applicable laws of the State of California, including the City Charter and the Bond Ordinance.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

IN WITNESS WHEREOF, CITY OF VERNON has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Mayor and the seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its City Clerk, as of the Dated Date specified above.

CITY OF VERNON

[SEAL]

By: _____
Mayor

ATTEST:

City Clerk

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 2020 Series A Bonds delivered pursuant to the within mentioned Indenture.

Dated: March __, 2020

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

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

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

the within Bond of the City of Vernon and does hereby irrevocably constitute and appoint
_____ attorney to
transfer the said Bond on the books kept for registration thereof with full power of substitution in the
premises.

Dated: _____

Notice: The Signature of this assignment and
transfer must correspond with the name
as written upon the face of this Bond in
every particular, without alteration or
enlargement or any change whatsoever.

Signature guaranteed by:

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.

EXHIBIT C

\$ _____
CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS
2020 SERIES A

February __, 2020

CONTRACT OF PURCHASE

City of Vernon
 4305 South Santa Fe Avenue
 Vernon, California 90058

Ladies and Gentlemen:

The undersigned, Goldman Sachs & Co. LLC (the “*Underwriter*”), hereby offers to enter into this Contract of Purchase (this “*Purchase Contract*”) with you, the City of Vernon (the “*City*”). This offer is made subject to acceptance by the City prior to 11:59 P.M., California time, on the date hereof, and if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to acceptance by the City. Upon acceptance by the execution hereof, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement (as defined herein).

1. *Purchase, Sale and Delivery of the Bonds; Establishment of Issue Price.* (a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements, set forth herein, the Underwriter agrees to purchase, and the City agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$_____ City of Vernon Electric System Revenue Bonds, 2020 Series A (the “*Bonds*”). The Bonds shall be dated the date of delivery thereof, shall mature on such dates and shall bear interest at such rates, and shall be subject to redemption, all as set forth in *Schedule I* attached hereto. Interest on the Bonds shall be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The purchase price for the Bonds shall be \$_____ (representing the sum of the purchase price of the Bonds which is equal to the \$_____ aggregate principal amount of the Bonds plus [net] original issue premium of \$_____, less \$_____ of Underwriter’s discount.)

(b) The Bonds are to be issued pursuant to Article XI of the Vernon City Code and an Indenture of Trust, dated as September 1, 2008 (as amended and supplemented, the “*Indenture*”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020, providing for the issuance of the Bonds, substantially in the form previously

submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the City and the Underwriter.

Proceeds of the Bonds will be used to (i) refund the City's Outstanding Electric System Revenue Bonds, 2009 Series A (the "*2009A Refunded Bonds*"), [[a portion of]the City's Outstanding Electric System Revenue Bonds, 2012 Taxable Series B (the "*2012B Refunded Bonds*"), and [a portion of] the City's Outstanding Electric System Revenue Bonds, 2015 Taxable Series A (the "*2015A Refunded Bonds*" and, together with the 2009A Refunded Bonds [and the 2012B Refunded Bonds], the "*Refunded Bonds*"), (ii) finance the acquisition and construction of certain capital improvements to the Electric System of the City, (iii) fund a deposit to the Debt Service Reserve Fund, and (iv) pay costs of issuing the Bonds.

The City will undertake, pursuant to a Continuing Disclosure Agreement, dated as of March 1, 2020 (the "*Continuing Disclosure Agreement*"), by and between the City and the Trustee, to provide certain annual financial information and notices of the occurrence of certain events. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement (defined below) and will also be set forth in the Official Statement (defined below).

The Indenture, the Continuing Disclosure Agreement and this Purchase Contract are hereinafter referred to collectively as the "*Legal Documents*."

(c) The Underwriter, agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, in such form as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City, and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price or the Bonds may be taken on behalf of the City by the City's municipal advisor and any notice or report to be provided to the City may be provided to the City's municipal advisor.

The City will treat the first price at which 10% of each maturity of the Bonds (the "*10% test*") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the City the price or prices at which the Underwriter has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

The Underwriter confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain

language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires.

The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “*public*” means any person other than an underwriter or a related party,

(ii) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “*related party*” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “*sale date*” means the date of execution of this Purchase Contract by all parties.

(d) At 8:00 A.M., California time, on March __, 2020, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Underwriter (the "*Closing Date*"), the City will deliver to the Underwriter at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("*Bond Counsel*"), the closing documents hereinafter mentioned. The Bonds, registered to Cede & Co. and in definitive form, will be made available to the Underwriter one business day prior to the Closing Date at the offices of Bond Counsel, or at such other place as may be designated by the Underwriter, and shall be subsequently delivered on the Closing Date to The Depository Trust Company ("*DTC*") or to the Trustee for DTC. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any of the Bonds 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 Bonds in accordance with the terms of this Purchase Contract. Upon release of the Bonds, the Underwriter will pay the purchase price of the Bonds as set forth in this Section 1, in immediately available funds to the order of the City. The releases and payments referenced in this Section 1 are herein called the "*Closing*."

2. *Use and Preparation of Official Statement.* The City hereby ratifies, confirms and approves of the distribution and use by the Underwriter prior to the date hereof of the preliminary official statement dated March __, 2020, relating to the Bonds (including all appendices thereto, the "*Preliminary Official Statement*") and the making available of the Preliminary Official Statement to investors prior to the date hereof. The City has deemed the Preliminary Official Statement final as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"), except for information permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12. The City hereby acknowledges that the Preliminary Official Statement has been made available to investors in electronic form. The City hereby agrees to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof, copies of the final Official Statement relating to the Bonds, dated the date hereof, in the form of the Preliminary Official Statement, with such changes thereto, as may be approved by the Underwriter (including the appendices thereto and any amendments or supplements as have been approved by the City and the Underwriter, the "*Official Statement*"), in sufficient quantity to enable the Underwriter to comply with the rules of the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the "*MSRB*"). The City hereby approves of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement in printed or electronic form with, and as permitted by, the MSRB through its Electronic Municipal Market Access system. The Underwriter shall advise the City of the date of such filing.

3. *Representations, Warranties and Agreements of the City.* The City represents, warrants and agrees with the Underwriter as follows:

(a) The City is, and will be on the Closing Date, duly existing as a chartered city organized under the laws of the State of California (the "*State*"), and has full legal right, power and authority to cause the Bonds to be authenticated and delivered, to execute and deliver the Legal Documents and to perform its obligations contained herein and therein in accordance with the City's Charter and other applicable laws, and, assuming the

Legal Documents constitute the legal, valid and binding agreements of the other respective parties thereto, the Legal Documents will constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Legal Documents and the consummation by it of all other transactions contemplated by the Legal Documents;

(c) The City is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a material default or event of default under any such instrument; and the issuance of the Bonds and the execution and delivery of the Official Statement and the Legal Documents and compliance with the provisions on the City's part contained in the Legal Documents, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City threatened, against the City in any material respect affecting the existence of the City or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting, as to the City, the validity or enforceability of the Bonds or the Legal Documents or the collection of Net Revenues of the Electric System or other amounts pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would likely to result in a material adverse change in the business, properties, assets or financial condition of the Electric System or materially adversely affect the validity or enforceability of the Legal Documents;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the Legal Documents have been duly obtained;

(f) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; *provided, however*, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) As of its date and the date hereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not, except as to the information permitted to be omitted by Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will notify the Underwriter, and, if in the opinion of the City, the Underwriter or its respective counsel, such event requires the preparation and

publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriter (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which 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 prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) of this Section 3, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (excluding information concerning DTC and the book-entry system as to which no representation is made) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(k) As used herein and for the purposes of the foregoing, the term “End of the Underwriting Period” for the Bonds shall mean the earlier of (i) the Closing Date unless the City shall have been notified in writing by the Underwriter on or prior to the Closing Date that the End of the Underwriting Period for the Bonds has not occurred by the Closing Date under Rule 15c2-12, or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; *provided, however*, that the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(l) After the Closing Date, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing;

(m) The City will apply, or cause the application of, the proceeds of the Bonds in accordance with the Indenture;

(n) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing Date the City does not and will not have outstanding any indebtedness which is secured by a lien on Electric System Revenues superior to or on a parity with the lien of the Bonds thereon;

(o) Between the date hereof and the Closing Date, except as contemplated by the Official Statement, the City will not have incurred any material liabilities, direct or contingent, payable from Electric System Revenues or entered into any material transaction

in connection with the Electric System in either case other than in the ordinary course of business, and there shall not have been any material adverse change in the financial condition or operations of the Electric System;

(p) The Bonds, the Legal Documents and the other documents described in the Official Statement conform in all material respects to the descriptions thereof contained in the Official Statement, and the Bonds, when delivered as provided herein, will be validly issued and outstanding obligations of the City entitled to the benefits of the Indenture;

(q) The financial statements of the Light and Power Enterprise of the City contained as Appendix A to the Official Statement do and will fairly present the financial position and results of operations of the Electric System as of the dates and for the periods therein set forth in accordance with the accounting principles described in Appendix A to the Official Statement applied consistently, and there has not been a material adverse change in the business, properties or financial condition of the City or the Electric System from that set forth in or contemplated by the Official Statement;

(r) The City (i) has all necessary licenses and permits required to carry on and operate all of the facilities, equipment and other property comprising the Electric System the lack of which would materially adversely affect the operations or financial condition of the Electric System, and (ii) has not received any notice of an alleged violation and, to the best knowledge of the City, the City is not in violation of any zoning, land use or other similar law or regulation applicable to any of its property comprising the Electric System that would materially adversely affect its operations or financial condition;

(s) Any certificate signed by an authorized officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein; and

(t) Except as disclosed in the Official Statement, the City has not failed to comply in all material respects with the terms of any continuing disclosure obligation under Rule 15c2-12 within the past five years.

4. *Conditions to the Obligations of the Underwriter.* The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and the representations and warranties of the City to be contained in the documents and instruments to be delivered on or prior to the Closing Date and upon the performance by the City of its obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof and, in any event, at least two (2) business days before Closing, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such quantity as the Underwriter shall have requested pursuant to Section 2 hereof;

(b) The representations and warranties of the City contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing Date;

(c) As of the Closing Date, the Legal Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the City, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and such Legal Documents shall be in full force and effect and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and there shall be in full force and effect such resolution or resolutions of the City Council of the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) If between the date hereof and the Closing Date, the market price or marketability, at the initial public offering prices set forth in the Official Statement, of the Bonds shall have been materially adversely affected, in the reasonable judgment of the Underwriter, by reason of any of the following, the Underwriter may terminate its obligation to accept delivery of and make any payment for the Bonds by delivery to the City of a written notice to such effect by the Underwriter:

(1) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the U.S. Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) any of the following shall have occurred (i) the outbreak or escalation in military hostilities or declaration by the United States of a national or international emergency or war, (ii) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury Obligation, (iii) a default with respect to the debt obligations

of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or political subdivision located in the United States having a population of over 500,000, or (iv) any other calamity or crisis the effect of any of which on the financial markets is such as to make it impracticable or inadvisable to proceed with the offering or delivery of the Bonds as contemplated hereby or by the Official Statement;

(3) 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, or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority having jurisdiction of the subject matter, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds 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, the Underwriter;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the U.S. Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including 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;

(6) except as disclosed in or contemplated by the Official Statement, any material adverse change in the business, properties, assets or financial condition of the Electric System of the City;

(7) the suspension, withdrawal or downgrading of any rating of the Bonds or any other outstanding debt of the City's Electric System by any rating agency then rating such Bonds or other outstanding debt of the City's Electric System, or any official action by any rating agency then rating the Bonds to place the Bonds on "Credit Watch" for possible downgrade or on "Negative Outlook" after the date hereof (and *provided* that the Bonds were not on "Credit Watch" or "Negative Outlook" prior to the date hereof); or

(8) an event shall occur or any information shall become known which makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated

therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in either such event, (a) the City refuses to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Underwriter, to materially adversely affect the marketability of the Bonds or the market price thereof.

(e) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to the Underwriter and Underwriter's Counsel:

(1) the approving opinion of Bond Counsel, dated the Closing Date and addressed to the City, substantially in the form attached as Appendix C to the Official Statement;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as *Exhibit A*;

(3) an opinion of the City Attorney or other counsel to the City acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as *Exhibit B*;

(4) an opinion of counsel to the Trustee, dated the Closing Date and addressed to the City and the Underwriter, to the effect that: (i) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America; (ii) the Trustee is duly eligible and qualified to act as Trustee under the Indenture and as Dissemination Agent under the Continuing Disclosure Agreement; (iii) the Trustee has all requisite power, authority and legal right to execute and deliver the Indenture and the Continuing Disclosure Agreement and to perform its obligations under such documents; (iv) the Trustee has duly authenticated the Bonds; and (v) the Trustee has duly executed and delivered the Indenture and the Continuing Disclosure Agreement and assuming that such documents constitute the legal, valid and binding agreements of the other respective parties thereto, such documents are the legal, valid and binding agreements of the Trustee, enforceable in accordance with their terms, except to the extent enforceability thereof may be subject to (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights and remedies heretofore or hereafter enacted, and (b) the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(5) an opinion of Chapman and Cutler LLP, Underwriter's Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (ii) assuming the due authorization, execution

and delivery of the Continuing Disclosure Agreement by the City and the Trustee and the enforceability thereof, the Continuing Disclosure Agreement is in a form which satisfies the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended; and (iii) on the basis of the information made available to such firm in the course of acting as counsel to the Underwriter (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel in such firm directly involved in rendering legal advice and assistance to the Underwriter in connection with the preparation of the Preliminary Official Statement and the Official Statement that cause them to believe that (a) the Preliminary Official Statement as of its date or as of the date of this Purchase Contract (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Preliminary Official Statement under the captions "TAX MATTERS," and in the Appendices to the Preliminary Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, debt service requirements, Underwriter's discount and CUSIP numbers or (b) the Official Statement as of its date or as of the Closing Date (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the captions "TAX MATTERS," and in the Appendices to the Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(6) a defeasance opinion or opinions of Bond Counsel, dated the Closing Date and addressed to the Trustee, to the effect that the Refunded Bonds have been deemed to have been paid and are no longer outstanding pursuant to the terms of the Indenture together with a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(7) a certificate or certificates, dated the Closing Date, of the City executed by its City Administrator or other appropriate official, to the effect that (i) the representations and warranties of the City in this Purchase Contract are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and the City has complied with and performed all of its covenants and agreements in this Purchase Contract on its part to be complied with and performed at or prior to the Closing; (ii) since June 30, 2019, except as referred to in or as contemplated by the Official Statement, with respect to its Electric System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the Electric System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Indenture; and (iii) other than as described in the Official Statement, there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official, threatened (a) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (b) seeking to restrain or enjoin the delivery of the Bonds, or the collection of Net Revenues of the Electric System or other amounts pledged to pay the principal of, premium, if any, and interest on such Bonds or the pledge thereof; (c) in any way contesting or affecting the validity of the Bonds or the Legal Documents; (d) in any way contesting the powers of the City or any authority for the issuance and delivery of the Bonds and the performance of its obligations contained therein or the execution and delivery of the Legal Documents and the performance of its obligations contained therein, nor to the best knowledge of such official after reasonable investigation, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would make invalid or materially adversely affect the authorization, execution, delivery or performance by the City of the foregoing; (e) which would be likely to result in a material adverse change in the business, properties, assets or the financial condition of the Electric System or which would be likely to have a material adverse effect on the ability of the City to meet its obligations under the Indenture; or (f) asserting that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, which certificate shall be in form and substance acceptable to the Underwriter (but in lieu of such certificate, the Underwriter may in its sole discretion accept an opinion of Bond Counsel or Counsel to the City, acceptable to the Underwriter in form and substance, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit);

(8) a certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture

and the Continuing Disclosure Agreement; (ii) the Trustee is duly authorized to enter into the Indenture and the Continuing Disclosure Agreement and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture; (iii) the execution and delivery of the Indenture and the Continuing Disclosure Agreement and compliance with the provisions on the Trustee's part contained therein, and the authentication and delivery of the Bonds will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Trustee, affecting the existence of the Trustee or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Indenture against the Trustee, or contesting the power of the Trustee or its authority to enter into, adopt or perform its obligations under the Indenture, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture against the Trustee or the authentication and delivery of the Bonds;

(9) a certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture and the Continuing Disclosure Agreement, in substantially the same form attached as APPENDIX E to the Preliminary Official Statement and the Official Statement, executed by the City Administrator or other appropriate official of the City;

(10) the Official Statement and each supplement or amendment, if any, thereto, executed by the City;

(11) copies of each of the Legal Documents, each duly executed and delivered by the respective parties thereto;

(12) certified copies of all proceedings relating to the authorization and issuance of the Bonds certified by the City Clerk or other appropriate official of the City;

(13) a certificate of the City (or an Independent Engineer, as such term is defined in the Indenture) pursuant to Section 2.07(e) of the Indenture;

(14) evidence that the respective ratings on the Bonds of “___” from Standard and Poor’s Ratings Services and “___” from Moody’s Investors Services is described in the Official Statement are in full force and effect as of the Closing Date;

(15) the Blanket Issuer Letter of Representations of the City;

(16) a Tax Certificate with respect to the Bonds, prepared by Bond Counsel and executed by the City Administrator or other appropriate official of the City;

(17) a copy of any Blue Sky Memorandum with respect to the Bonds, prepared by Counsel to the Underwriter;

(18) a copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

(19) a report, dated the date of Closing Date, from _____, Verification Agent, stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts available to pay interest on the Refunded Bonds as the same shall become due on and before the applicable maturity or redemption date for such Refunded Bonds and the principal or redemption price of the Refunded Bonds to be paid or redeemed on any such maturity or redemption date therefor;

(20) copies of the notices of redemption and notices of defeasance with respect to the Refunded Bonds;

(21) evidence of compliance with Section 8855(i) of the California Government Code;

(22) a letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel, in form and substance satisfactory to the Underwriter; and

(23) such additional certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of the City’s representations and warranties contained in this Purchase Contract and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to this Purchase Contract.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be

subject to termination by the Underwriter for any reason permitted by this Purchase Contract, this Purchase Contract and all obligations of the Underwriter hereunder may, at the option of the Underwriter, be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the City, and, upon any such termination, neither the Underwriter nor the City shall have any further obligations hereunder.

5. *Expenses.* (a) The Underwriter shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations hereunder including, but not limited to: (i) the cost of preparation, printing and distribution of the Legal Documents, the Preliminary Official Statement, the Official Statement and any supplements or amendments thereto, including a reasonable number of certified or conformed copies thereof; (ii) the cost of preparation and printing of the Bonds; (iii) the fees and disbursements of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel; (iv) the fees and disbursements of any engineers, accountants and other experts, consultants or advisors retained by the City; (v) fees for bond ratings (which include fees of rating agencies and travel expenses of the City); and (vi) all expenses incurred on behalf of City personnel with respect to the financing, including (a) air travel and hotel costs in connection with the pricing of the Bonds, any investor meetings, any rating agency trips and the Closing, (b) meals and transportation for City personnel during such trips, (c) expenses of City personnel related to attending working group meetings, such as parking, meals and transportation, and (d) any other miscellaneous costs related to the Closing.

(b) The Underwriter shall pay: (i) the cost of preparation and printing of this Purchase Contract and the Preliminary Blue Sky Memorandum; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds; (iii) fees, if any, payable to the California Debt and Investment Advisory Commission, the MSRB and DTC; and (iv) all other expenses (including travel and other out-of-pocket expenses) incurred by them in connection with the public offering of the Bonds and the transactions contemplated by this Purchase Contract not outlined in (a) above, including the fees and disbursements of Underwriter's Counsel. The City acknowledges and agrees that some or all of the expenses (including all normally occurring out-of-pocket expenses) to be paid by the Underwriter may be included as part of the expense component of the underwriter's discount or may be reimbursed to the Underwriter as out-of-pocket expenses.

6. *Notices.* Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to: City of Vernon, 4305 South Santa Fe Avenue, Vernon, California 90058, Attention: City Administrator; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the Underwriter: Goldman Sachs & Co. LLC, _____, _____, Attn: _____.

7. *Survival of Representations and Warranties.* The City's representations, warranties and agreements contained in this Purchase Contract or made in any certificate delivered hereunder shall remain operative and in full force and effect, regardless of: (i) any investigations or statements made by or on behalf of the Underwriter; and (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract.

8. *No Fiduciary.* The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as the agent, fiduciary, financial advisor or municipal advisor of the City; (ii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City on other matters); (iii) the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; (iv) the Underwriter has financial and other interests that differ from those of the City; and (v) the City has consulted with its own legal, accounting, tax, financial and other advisors to the extent it deemed appropriate.

9. *Governing Law.* This Purchase Contract shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State.

10. *Counterpart Signatures.* This Purchase Contract 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.

[Remainder of page intentionally left blank.]

11. *Parties in Interest.* This Purchase Contract, when accepted by the City in writing as heretofore specified, shall constitute the entire agreement between the City and the Underwriter in connection with the subject matter hereof and is made solely for the benefit of the City and the Underwriter (including any successor in business of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

GOLDMAN SACHS & Co. LLC

By: _____
Joseph Natoli, Managing Director

Accepted on February __, 2020

CITY OF VERNON

By: _____
City Administrator

ATTEST:

By: _____
City Clerk

SCHEDULE 1

\$_____

**CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS
2020 SERIES A**

MATURITY SCHEDULE

MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE
20__	\$	%	%	

MATURITY DATE (AUGUST 1)	10% TEST SATISFIED	10% TEST NOT SATISFIED	SUBJECT TO HOLD-THE-OFFERING PRICE RULE
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REDEMPTION PROVISIONS

Optional Redemption. The Bonds with stated maturities on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the City and from any source of available funds, as a whole or in part on _____, 20__, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

EXHIBIT A

_____, 2020

Goldman Sachs & Co. LLC
as Underwriter
Los Angeles, California

Re: \$_____ City of Vernon Electric System Revenue Bonds, 2020 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the “*Bonds*”). The Bonds have been issued pursuant to the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the Vernon City Code, and an Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, the “*Indenture*”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “*Trustee*”), including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020, by and between the City and the Trustee. Capitalized terms used herein and not defined shall have the meanings given to such terms in the Contract of Purchase, dated _____, 2020 (the “*Purchase Contract*”), by and between the City and Goldman Sachs & Co. LLC, as underwriter (“*Underwriter*”).

On the date hereof, we delivered to the City our opinion relating to, among other things, the validity of the Bonds (the “*Approving Opinion*”). You are authorized to rely upon the Approving Opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

(i) The Purchase Contract has been duly authorized, executed and delivered by the City, and assuming due authorization, execution and delivery by the Underwriter, is a valid and binding agreement of the City enforceable in accordance with its terms;

(ii) The statements contained in the Official Statement under the captions “INTRODUCTION,” “THE 2020 BONDS,” “SECURITY AND SOURCES OF PAYMENT” and “TAX MATTERS,” and in Appendices B and C, insofar as such statements purport to summarize certain provisions of the Bonds and the Indenture and our opinion with respect to certain federal and state income tax matters related to the Bonds, are accurate in all material respects; and

(iii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. This opinion is limited to matters governed by the laws of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Purchase Contract, the Indenture, the Continuing Disclosure Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

The Underwriter has been represented in connection with the purchase of the Bonds by its counsel. No attorney-client relationship has existed or exists between the Underwriter and our firm in connection therewith or by virtue of this letter. This letter is delivered to you as the Underwriter of the Bonds, is solely for your benefit as such, and is not to be used, circulated, quoted or otherwise referred to or relied to or relied upon for any other purpose or by any other person without our prior written consent.

Respectfully submitted,

EXHIBIT B

FORM OF OPINION OF CITY ATTORNEY

[Closing Date]

Goldman Sachs & Co. LLC,
as Underwriter
Los Angeles, California

Re: \$_____ City of Vernon Electric System Revenue Bonds, 2020 Series A

Ladies and Gentlemen:

I am the City Attorney of the City of Vernon (the “City”) and as such I have served as counsel to the City in connection with the issuance of the City’s \$_____ Electric System Revenue Bonds, 2020 Series A (the “Bonds”). As such counsel, I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the City; (ii) all necessary documentation of the City relating to the authorization, execution and delivery of (a) the Indenture of Trust, dated as September 1, 2008, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020, providing for the issuance of the Bonds (as so amended and supplemented, the “Indenture”), (b) the Continuing Disclosure Agreement, dated as of March 1, 2020 (the “Continuing Disclosure Agreement”), between the City and the Trustee, as dissemination agent, and (d) the Contract of Purchase, dated February __, 2020 with respect to the Bonds (the “Purchase Contract”), between the City and Goldman Sachs & Co. LLC, as underwriter (the “Underwriter”); and (iii) a Preliminary Official Statement of the City, dated February __, 2020 (the “Preliminary Official Statement”) and an Official Statement of the City, dated March __, 2020 (the “Official Statement”), relating to the Bonds. The Indenture, the Continuing Disclosure Agreement and the Purchase Contract are collectively referred to herein as the “Legal Documents.”

I am of the opinion that:

1. The City is a chartered city, duly created, organized and existing under the Constitution and laws of the State of California and duly qualified to furnish electric service within said City.
2. The resolution of the City (the “Resolution”) approving and authorizing the execution and delivery of Legal Documents and approving and authorizing the distribution of the Official Statement by the City was duly adopted at a meeting of the City Council of the City, 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.

3. The City has the authority and right to execute, deliver and perform its obligations under the Legal Documents, and the City has complied in all material respects with the provisions of applicable law in all matters relating to the transactions contemplated by the Legal Documents.

4. The Official Statement and the Legal Documents have been duly authorized, executed and delivered by the City and, assuming that the Legal Documents constitute the legal, valid and binding agreements of the other respective parties thereto, the Legal Documents constitute the legal, valid and binding agreements of the City enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought and to limitations on legal remedies against municipal corporations in the State.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the City of the Legal Documents or the performance by the City of its obligations thereunder or the execution and delivery, on the part of the City, of the Bonds. Under the laws of the State of California, the City has the authority to determine, fix, impose and collect rates and charges for electric service and is not presently subject to the regulatory jurisdiction of any state, regional or local governmental regulatory authority other than to the extent described in the Preliminary Official Statement and the Official Statement.

6. The execution and delivery of the Legal Documents by the City and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any instrument relating to the organization, existence or operation of the City, or commitment, agreement or other instrument to which the City is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the City or any of its officers in their respective capacities as such are subject or any provision of the laws of the State of California relating to the City and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to the best of my knowledge, threatened against or affecting the City or any entity affiliated with the City or any of its officers in their respective capacities as such (nor to the best of my knowledge, is there any basis therefor) that questions the powers of the City referred to in paragraph 3 above or in connection with the transactions contemplated by the Legal Documents, or the validity of the proceedings taken by the City in connection with the authorization, execution or delivery of the Legal Documents, or [except as disclosed in the Official Statement] wherein any unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Legal Documents, or that, in any way, would adversely affect the validity or enforceability of the Legal Documents or, in any material respect, the ability of the City to perform its obligations under the Legal Documents.

8. Based upon my participation in the preparation of the Preliminary Official Statement and the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, nothing has come to my attention which would lead me to believe that (i) the Preliminary Official Statement (excluding therefrom the financial statements and the statistical data and the information concerning DTC and the book-entry system included therein, the information under the caption “UNDERWRITING” and the Appendices thereto, as to which no view is expressed) as of its date and as of February __, 2020, contained or contains an 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, not misleading, or (ii) the Official Statement (excluding therefrom the financial statements and the statistical data and the information concerning DTC and the book-entry system included therein, the information under the caption “UNDERWRITING” and the Appendices thereto, as to which no view is expressed) as of its the date and as of the date hereof, contained or contains an 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, not misleading.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Purchase Contract.

Respectfully submitted,

EXHIBIT D

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2020

NEW ISSUE—FULL BOOK-ENTRY ONLY

Ratings: See the caption “RATINGS”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”



\$_____*

CITY OF VERNON

ELECTRIC SYSTEM REVENUE BONDS, 2020 SERIES A

Dated: Date of Issuance

Due: August 1, as set forth on the inside front cover page

The 2020 Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2020 Bonds will not receive securities representing their beneficial ownership in the 2020 Bonds purchased. Interest on the 2020 Bonds is payable on August 1, 2020 and each February 1 and August 1 thereafter, until the maturity of the 2020 Bonds. The principal of and interest on the 2020 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2020 Bonds through their nominees.

The 2020 Bonds are subject to optional and mandatory sinking fund redemption as more fully described in this Official Statement.

The 2020 Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain capital improvements to the Electric System of the City; (ii) to refund all or portions of the City's outstanding Electric System Revenue Bonds, 2009 Series A, Electric System Revenue Bonds, 2012 Taxable Series B and Electric System Revenue Bonds, 2015 Taxable Series A; (iii) to fund a deposit in the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Requirement; and (iv) to pay costs of issuance of the 2020 Bonds, all as more fully described in this Official Statement.

The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of September 1, 2008, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020. The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Electric System remaining after the payment of Operation and Maintenance Expenses, and from amounts on deposit in certain funds and accounts created under the Indenture.

The 2020 Bonds are payable from Net Revenues on a parity with \$77,345,000* outstanding principal amount of Electric System Revenues Bonds (excluding Electric System Revenue Bonds which are being refunded from proceeds of the 2020 Bonds). The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Front Cover Page

The 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2020 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Chapman and Cutler LLP, and for the Trustee by its counsel.

* Preliminary, subject to change.

It is anticipated that the 2020 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about March 10, 2020.

Goldman Sachs & Co. LLC

Dated: March __, 2020

\$ _____ *

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2020 SERIES A

MATURITY SCHEDULE

BASE CUSIP®† _____

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP®†</i> <i>Suffix</i>
	\$	%	%		

\$ _____ % Term 2020 Bonds Due August 1, 20__ Yield: _____ % Price: _____ CUSIP®† Suffix _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

**CITY OF VERNON
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA**

CITY COUNCIL

Melissa Ybarra, Mayor
Leticia Lopez, Mayor Pro Tem
William “Bill” Davis, Council Member
Carol Menke, Council Member
Diana Gonzales, Council Member

STAFF

Carlos R. Fandino, Jr., City Administrator
Scott Williams, Finance Director/Treasurer
Abraham Alemu, General Manager of Public Utilities
Hema Patel, Esq., City Attorney

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

BLX Group LLC
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Verification Agent

[]
[]

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds. 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 a representation 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 a 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 official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2020 BONDS 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 2020 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2020 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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OFFICIAL STATEMENT
\$ _____*
CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2020 SERIES A

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information that is included and referred to elsewhere in this Official Statement. The offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture. See Appendix B.

Purpose of Official Statement

The purpose of this Official Statement (which includes the cover page and the appendices attached hereto) is to provide information concerning the sale and delivery by the City of Vernon, California (the “City”) of its Electric System Revenue Bonds, 2020 Series A (the “**2020 Bonds**”).

Authority

The 2020 Bonds are being issued pursuant to Article II of the City’s Charter, the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the Vernon City Code, and an Indenture of Trust, dated as of September 1, 2008 (the “**Master Indenture**” and, as amended and supplemented, the “**Indenture**”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020.

Use of Proceeds

The 2020 Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain capital improvements to the Electric System of the City (collectively, the “**2020 Project**”); (ii) to refund all or portions of the City’s outstanding: (1) Electric System Revenue Bonds, 2009 Series A (the “**2009A Bonds**”), which are currently outstanding in the aggregate principal amount of \$57,995,000; (2) Electric System Revenue Bonds, 2012 Taxable Series B (the “**2012B Bonds**”), which are currently outstanding in the aggregate principal amount of \$35,100,000; and (3) Electric System Revenue Bonds, 2015 Taxable Series A (the “**2015A Bonds**”), which are currently outstanding in the aggregate principal amount of \$111,720,000; (iii) to fund a deposit in the Debt Service Reserve Fund in satisfaction of the Debt Service Reserve Requirement; and (iv) to pay costs of issuance of the 2020 Bonds, all as more fully described in this Official Statement. See the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE.”

Security and Sources of Payment

The 2020 Bonds are special obligations of the City. The principal and Redemption Price of and interest on the 2020 Bonds are payable by the City solely from the Net Revenues of the City’s Electric System, amounts in the Light and Power Fund other than the Operating Reserve, and amounts in the Funds, other than the Rebate Fund, held by the Trustee under the Indenture (as defined in Appendix B, the “**Trust Estate**”) and are secured by a pledge of the Trust Estate. See the caption “SECURITY AND SOURCES OF PAYMENT—Pledge Effected by the Indenture.”

* Preliminary, subject to change.

The issuance of the 2020 Bonds does not directly, indirectly or contingently obligate the City to levy or pledge any form of taxation or to make any appropriation for their payment. The 2020 Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the Trust Estate pledged therefor pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Neither the faith and credit nor the taxing power of the City, the State or any other public agency is pledged to the payment of the principal of, premium, if any, or interest on the 2020 Bonds. The 2020 Bonds do not constitute a debt, liability or obligation of the State or any public agency other than the special obligation of the City as provided in the Indenture.

The City has issued and there currently remains Outstanding under the Indenture \$282,160,000 aggregate principal amount of Electric System Revenue Bonds payable from Net Revenues on a parity with the 2020 Bonds, consisting of: (a) the Electric System Revenue Bonds, 2008 Taxable Series A (the “**2008A Bonds**”), which are currently outstanding in the aggregate principal amount of \$39,705,000; (b) the 2009A Bonds, which are currently outstanding in the aggregate principal amount of \$57,995,000; (c) the Electric System Revenue Bonds, 2012 Series A (the “**2012A Bonds**”), which are currently outstanding in the aggregate principal amount of \$37,640,000; (d) the 2012B Bonds, which are currently outstanding in the aggregate principal amount of \$35,100,000; and (e) the 2015A Bonds, which are currently outstanding in the aggregate principal amount of \$111,720,000. See the caption “PLAN OF FINANCE” for a discussion of the expected refunding of the 2009A Bonds, 2012B Bonds and 2015A Bonds from proceeds of the 2020 Bonds.

The Indenture permits the City to issue Additional Bonds and Refunding Bonds which are payable from Net Revenues on a parity with the 2020 Bonds on the terms and conditions set forth in the Indenture. The 2008A Bonds, the 2009A Bonds, the 2012A Bonds, the 2012B Bonds, the 2015A Bonds, the 2020 Bonds and any such Additional Bonds and Refunding Bonds issued under the Indenture are referred to as the “**Bonds.**” All Bonds are equally and ratably secured by the pledge of the Trust Estate under the Indenture. See the captions “SECURITY AND SOURCES OF PAYMENT—Outstanding Electric System Obligations” and “SECURITY AND SOURCES OF PAYMENT—Additional Parity Obligations.”

Debt Service Reserve Fund

Pursuant to the Indenture, the Debt Service Reserve Fund is required to be maintained in an amount equal to the Debt Service Reserve Requirement. Amounts on deposit in the Debt Service Reserve Fund will be applied to make up any deficiency in any account of the Debt Service Fund for the payment when due of principal or Redemption Price of or interest on Bonds, including the 2020 Bonds. A portion of the proceeds of the 2020 Bonds will be deposited in the Debt Service Reserve Fund so that the amount on deposit therein is no less than the Debt Service Reserve Requirement as of the date of issuance of the 2020 Bonds. See the captions “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY AND SOURCES OF PAYMENT—Debt Service Reserve Fund.”

Redemption

The 2020 Bonds are subject to redemption prior to maturity. See the caption “THE 2020 BONDS—Redemption of 2020 Bonds.”

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the 2020 Bonds, pursuant to a Continuing Disclosure Agreement with the Trustee, to provide to the Municipal Securities Rulemaking Board (the “**MSRB**”) through its Electronic Municipal Market Access System (“**EMMA**”) a copy of the annual audited financial statements of the Electric System, as well as certain operating and financial data relating to the Electric System, and notices of certain enumerated events. See the caption “CONTINUING DISCLOSURE.”

Bicent Litigation

See the caption “LITIGATION—Bicent Litigation” for a discussion of certain litigation between the City and the owner of its largest power supply resource.

Other Matters

The summaries of and references to all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given to it in such agreement or document.

Attached to this Official Statement are summaries of certain provisions of the Indenture. Copies of the Indenture are available for inspection at the offices of the Trustee, and copies of the Indenture will be provided by the Trustee upon request and payment of costs.

PLAN OF FINANCE

2020 Project

The 2020 Project consists of the following capital improvements: (a) replacements and upgrades to substations; (b) voltage conversion projects; (c) cable and wood pole replacements; and (d) other miscellaneous replacements and upgrades to various components of the Electric System.

The City will apply a portion of the proceeds of the 2020 Bonds: (i) to reimburse the Electric System for the payment of certain costs of the 2020 Project which the City has previously paid; and (ii) to pay for costs of acquisition and construction of the 2020 Project.

The City expects to complete the 2020 Project by early 2023 and to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2020 Project as required by law. Pursuant to the Indenture, the City may substitute or add additional projects to the 2020 Project provided that the City first files with the Trustee a statement of the City: (a) identifying the improvements to be substituted and the improvements to City facilities they replace in the 2020 Project; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Refunding Plan

2009A Bonds. The City issued the 2009A Bonds, which are currently outstanding in the aggregate principal amount of \$57,995,000, pursuant to the Indenture, as supplemented by a Second Supplemental Indenture of Trust, dated as of May 1, 2009. The City plans to apply a portion of the proceeds of the 2020 Bonds to refund all or a portion of the 2009A Bonds as shown in the below table.

<i>Principal Payment Date (August 1)</i>	<i>Outstanding Principal Amount of 2009A Bonds</i>	<i>Original CUSIP®† (924397)</i>	<u><i>Unrefunded 2009A Bonds</i></u>		<u><i>Refunded 2009A Bonds</i></u>	
			<i>Outstanding Principal Amount of 2009A Bonds After Refunding</i>	<i>New CUSIP®† for Unrefunded 2009A Bonds (924397)</i>	<i>Refunded Principal Amount of 2009A Bonds</i>	<i>New CUSIP®† for Refunded 2009A Bonds (924397)</i>
2021	\$ 57,995,000	DJ8	\$ __	__	\$ __	__

The refunded principal amounts of the 2009A Bonds, as shown in the sixth column of the above table, constitute the “**Refunded 2009A Bonds.**” Upon the defeasance of the Refunded 2009A Bonds, \$__ aggregate principal amount of 2009A Bonds will remain outstanding. Such 2009A Bonds are payable from Net Revenues of the Electric System on a parity with the 2020 Bonds. See the caption “THE CITY—Parity Obligations.”

The City will cause a portion of the proceeds of the 2020 Bonds to be delivered to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2009A Bonds (the “**2009A Trustee**”). Such moneys, together with certain moneys held by the 2009A Trustee in funds and accounts established in connection with the 2009A Bonds, will be applied on the date of issuance of the 2020 Bonds to refund the Refunded 2009A Bonds at a redemption price equal to the principal amount thereof, plus interest accrued to such date.

Sufficiency of the deposits with the 2009A Trustee for such purposes will be verified by [____] (the “**Verification Agent**”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided above, the Refunded 2009A Bonds will be defeased pursuant to the provisions of the Indenture as of the date of issuance of the 2020 Bonds.

Upon the issuance of the 2020 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited with the 2009A Trustee to pay the redemption price of the Refunded 2009A Bonds.

The amounts held by the 2009A Trustee for the redemption of the Refunded 2009A Bonds are pledged solely to the payment of the Refunded 2009A Bonds. Neither the funds deposited with the 2009A Trustee nor any interest thereon will be available for the payments of principal of and interest on the 2020 Bonds.

2012B Bonds. The City issued the 2012B Bonds, which are currently outstanding in the aggregate principal amount of \$35,100,000, pursuant to the Indenture, as supplemented by a Third Supplemental Indenture of Trust, dated as of January 1, 2012. The City plans to apply a portion of the proceeds of the 2020 Bonds to refund all or a portion of the 2012B Bonds as shown in the below table.

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<i>Principal Payment Date (August 1)</i>	<i>Outstanding Principal Amount of 2012B Bonds</i>	<i>Original CUSIP®[†] (924397)</i>	<i>Unrefunded 2012B Bonds</i>		<i>Refunded 2012B Bonds</i>	
			<i>Outstanding Principal Amount of 2012B Bonds After Refunding</i>	<i>New CUSIP®[†] for Unrefunded 2012B Bonds (924397)</i>	<i>Refunded Principal Amount of 2012B Bonds</i>	<i>New CUSIP®[†] for Refunded 2012B Bonds (924397)</i>
2022	\$6,165,000	CP5	\$ —	—	\$ —	—
2023	6,565,000	CQ3				
2024	6,990,000	CR1				
2025	7,440,000	CS9				
2026	7,940,000	CT7				

The refunded principal amounts of the 2012B Bonds, as shown in the sixth column of the above table, constitute the “**Refunded 2012B Bonds.**” Upon the defeasance of the Refunded 2012B Bonds, \$_____ aggregate principal amount of 2012B Bonds will remain outstanding. Such 2012B Bonds are payable from Net Revenues of the Electric System on a parity with the 2020 Bonds. See the caption “THE CITY—Parity Obligations.”

The City will cause a portion of the proceeds of the 2020 Bonds to be delivered to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2012B Bonds (the “**2012B Trustee**”). Such moneys, together with certain moneys held by the 2012B Trustee in funds and accounts established in connection with the 2012B Bonds, will be applied on the date of issuance of the 2020 Bonds to refund the Refunded 2012B Bonds at a redemption price equal to the Make Whole Redemption Price (as such term is defined in the Indenture).

Sufficiency of the deposits with the 2012B Trustee for such purposes will be verified by the Verification Agent. Assuming the accuracy of such computations, as a result of the deposit and application as provided above, the Refunded 2012B Bonds will be defeased pursuant to the provisions of the Indenture as of the date of issuance of the 2020 Bonds.

Upon the issuance of the 2020 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited with the 2012B Trustee to pay the redemption price of the Refunded 2012B Bonds.

The amounts held by the 2012B Trustee for the redemption of the Refunded 2012B Bonds are pledged solely to the payment of the Refunded 2012B Bonds. Neither the funds deposited with the 2012B Trustee nor any interest thereon will be available for the payments of principal of and interest on the 2020 Bonds.

2015A Bonds. The City issued the 2015A Bonds, which are currently outstanding in the aggregate principal amount of \$111,720,000, pursuant to the Indenture, as supplemented by a Fourth Supplemental Indenture of Trust, dated as of July 1, 2015. The City plans to apply a portion of the proceeds of the 2020 Bonds to refund all or a portion of the 2015A Bonds as shown in the below table.

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<i>Principal Payment Date (August 1)</i>	<i>Outstanding Principal Amount of 2015A Bonds</i>	<i>Original CUSIP®† (924397)</i>	<i>Unrefunded 2015A Bonds</i>		<i>Refunded 2015A Bonds</i>	
			<i>Outstanding Principal Amount of 2015A Bonds After Refunding</i>	<i>New CUSIP®† for Unrefunded 2015A Bonds (924397)</i>	<i>Refunded Principal Amount of 2015A Bonds</i>	<i>New CUSIP®† for Refunded 2015A Bonds (924397)</i>
2022	\$22,540,000	CX8	\$ __	__	\$ __	__
2023	23,520,000	CY6				
2024	24,585,000	CZ3				
2025	25,780,000	DA7				
2026	15,295,000	DB5				

The refunded principal amounts of the 2015A Bonds, as shown in the sixth column of the above table, constitute the “**Refunded 2015A Bonds**.” Upon the defeasance of the Refunded 2015A Bonds, \$____ aggregate principal amount of 2015A Bonds will remain outstanding. Such 2015A Bonds are payable from Net Revenues of the Electric System on a parity with the 2020 Bonds. See the caption “THE CITY—Parity Obligations.”

The City will cause a portion of the proceeds of the 2020 Bonds to be delivered to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2015A Bonds (the “**2015A Trustee**”). Such moneys, together with certain moneys held by the 2015A Trustee in funds and accounts established in connection with the 2015A Bonds, will be applied on the date of issuance of the 2020 Bonds to refund the Refunded 2015A Bonds at a redemption price equal to the 2015 Make Whole Redemption Price (as such term is defined in the Indenture).

Sufficiency of the deposits with the 2015A Trustee for such purposes will be verified by Verification Agent. Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided above, the Refunded 2015A Bonds will be defeased pursuant to the provisions of the Indenture as of the date of issuance of the 2020 Bonds.

Upon the issuance of the 2020 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited with the 2015A Trustee to pay the 2015 Make Whole Redemption Price.

The amounts held by the 2015A Trustee for the redemption of the Refunded 2015A Bonds are pledged solely to the payment of the Refunded 2015A Bonds. Neither the funds deposited with the 2015A Trustee nor any interest thereon will be available for the payments of principal of and interest on the 2020 Bonds.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2020 Bonds are set forth below.

Sources

Principal Amount	\$
Plus/Less Net Original Issue Premium/Discount	
Additional Moneys ⁽¹⁾	<u> </u>
Total Sources	<u>\$ </u>

Uses

Redemption of 2009A Bonds	\$
Redemption of 2012B Bonds	
Redemption of 2015A Bonds	
Reimbursement to City for Costs of Capital Improvements	
Deposit to 2020 Capital Improvement Fund	
Deposit to Debt Service Reserve Fund	
Costs of Issuance ⁽²⁾	<u> </u>
Total Uses	<u>\$ </u>

⁽¹⁾ Reflects moneys held in funds and accounts established in connection with the 2012B Bonds and the 2015A Bonds.

⁽²⁾ Includes Underwriter's discount, legal fees, Trustee fees, Verification Agent fees, rating agency fees, financial and consulting fees, printing costs and other expenses in connection with the issuance of the 2020 Bonds.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule for the City's outstanding Bonds, including the 2020 Bonds.

<i>Fiscal Year Ended June 30</i>	<i>Debt Service on Outstanding Bonds⁽¹⁾</i>	<i>2020 Bonds</i>		<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	
20__	\$[]	\$	\$	\$

TOTAL⁽²⁾

⁽¹⁾ Reflects debt service on 2008A Bonds and 2012A Bonds. Excludes debt service on 2009A Bonds, 2012B Bonds and 2015A Bonds, which are being refunded from proceeds of the 2020 Bonds. See the caption "PLAN OF FINANCE."

⁽²⁾ Totals may not add due to rounding.

THE 2020 BONDS

General

The 2020 Bonds will be issued in the aggregate principal amount, will bear interest at the rates and will mature in the years and amounts as set forth on the inside front cover page of this Official Statement. The 2020 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The 2020 Bonds will be dated and will bear interest from their date of original issuance. Interest on the 2020 Bonds will be payable on August 1, 2020 and each February 1 and August 1 thereafter. The 2020 Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), and held in DTC's book-entry system. So long as the 2020 Bonds are held in the book-entry system, DTC or its nominee will be the registered owner of the 2020 Bonds for all purposes of the Indenture. For purposes of this Official Statement, DTC or its nominee, and its successors and assigns, are referred to as the "**Securities**

Depository.” So long as the 2020 Bonds are held in book-entry form through DTC, all payments with respect to principal of, premium, if any, and interest on each 2020 Bond will be made pursuant to DTC’s rules and procedures. See Appendix D.

Redemption of 2020 Bonds

Optional Redemption. The 2020 Bonds with stated maturities on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a written request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The 2020 Bonds maturing on August 1, 20__ are also subject to mandatory redemption in part prior to their stated maturity from Sinking Fund Installments established pursuant to the below table on any August 1 on or after August 1, 20__, at a Redemption Price equal to the principal amount of the 2020 Bonds to be redeemed, without premium. The following are the Sinking Fund Installments for the 2020 Bonds maturing on August 1, 20__. Such installments will be due on August 1 of each of the years set forth in the following table in the respective amounts set forth opposite such years in said table:

<i>Sinking Fund Installment Due Date (August 1)</i>	<i>Sinking Fund Installment</i>
20[]	\$

†

† Maturity.

Notice of Redemption. The Trustee is to give notice of the redemption of any 2020 Bonds by first class mail, postage prepaid, not more than 60 nor less than 30 days before the redemption date to the Owners of any 2020 Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice will specify the maturity date of the 2020 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2020 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2020 Bonds to be redeemed, and, in the case of a 2020 Bond to be redeemed in part only, such notice will also specify the respective portion of the principal amount thereof to be redeemed.

In the event that funds required to pay the Redemption Price of 2020 Bonds to be redeemed at the option of the City are not on deposit with the Trustee at the time the notice of redemption of such 2020 Bonds is given, such notice will state that such redemption is conditioned upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the 2020 Bonds to be redeemed, and that if such moneys have not been so received, said notice will be of no force and effect and the City will not be required to redeem such 2020 Bonds. In the event that a notice of redemption of 2020 Bonds contains such a condition and such moneys are not so received, the redemption of 2020 Bonds as described in the conditional notice of redemption will not be made and the Trustee, within a reasonable time after the date on which such redemption was to occur, is to give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there will be no redemption of 2020 Bonds pursuant to the conditional notice of redemption.

Receipt of notice of redemption is not a condition precedent to the redemption of 2020 Bonds and failure of any Owner of a 2020 Bond to receive any such notice or any insubstantial defect in such notice does not affect the validity of the proceedings for the redemption of 2020 Bonds.

SECURITY AND SOURCES OF PAYMENT

Pledge Effected by the Indenture

The payment of the principal and Redemption Price of and interest on the 2020 Bonds is secured by a pledge of the Trust Estate under the Indenture. The Trust Estate consists of: (i) the Revenues; (ii) all amounts on deposit in the Light and Power Fund, including the investments, if any, thereof; and (iii) all amounts on deposit in the Funds, other than the Rebate Fund, held by the Trustee under the Indenture, including the investments, if any, thereof. The pledge of the Trust Estate in the Indenture is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

The 2020 Bonds and all other Bonds issued under the Indenture are equally and ratably secured by the pledge of the Trust Estate pursuant to the Indenture. The 2020 Bonds and all other Bonds issued under the Indenture are equally and ratably payable from the Net Revenues, amounts in the Light and Power Fund other than the Operating Reserve, and amounts held in the Funds, other than the Rebate Fund, held by the Trustee under the Indenture. The City has and, in the future, may issue or incur other Parity Obligations which are secured by a pledge of the Trust Estate. The City has issued under the Indenture and there is currently outstanding \$164,890,000 aggregate principal amount of Electric System Revenue Bonds, consisting of the 2008A Bonds, the 2009A Bonds and the 2012A Bonds. See the captions “THE CITY—Parity Obligations” and “ELECTRIC SYSTEM OBLIGATIONS” for more information about outstanding Parity Obligations and certain obligations payable as Operation and Maintenance Expenses.

“**Revenues**” includes all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, including all rates and charges for the Electric Service and the other services and facilities of the Electric System, all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or otherwise arising from the Electric System, including all net receipts pursuant to Public Finance Contracts entered into in connection with any Obligations or program of investments relating to the Electric System and all income from the deposit or investment of any money in the Light and Power Fund, but excluding: (i) proceeds of taxes; (ii) refundable deposits made to establish credit; (iii) advances or contributions in aid of construction; and (iv) line extension fees.

“**Net Revenues**” is defined in the Indenture to mean, for any period of time, Revenues for such period less Operation and Maintenance Expenses for such period.

“**Operation and Maintenance Expenses**” is defined in the Indenture to mean the costs paid or incurred by the City for operating and maintaining the Electric System including, but not limited to: (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing; (b) all costs and expenses of management of the Electric System; (c) all costs and expenses of maintenance and repair, and other expenses necessary or appropriate in the judgment of the City to maintain and preserve the Electric System in good repair and working order; (d) all administrative costs of the several departments of the City that are charged directly or apportioned to the operation or maintenance of the Electric System, such as salaries and wages (including retirement benefits) of employees, overhead, taxes (if any) and insurance premiums; (e) payments in lieu of taxes to any public agency other than the City in connection with the Electric System; (f) all costs, expenses and charges of the City required to be paid by it to comply with the terms of any Issuing Instrument authorizing the issuance of Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, or fees and expenses of Independent Certified Public Accountants, Independent Engineers and other consultants; (g) the fees, expenses and indemnification of Credit Providers and Reserve Financial

Guaranty Providers; (h) all amounts required to be paid by the City under contracts with joint powers agencies for the purchase of capacity rights in an electric generating station or electric transmission facilities, transmission capability or any other commodity, right or service in connection with the Electric System, which contracts require payments to be made by the City thereunder to be treated as operation and maintenance expenses of the Electric System; (i) all deposits to be made to a rebate fund established with respect to Parity Obligations to provide for any required rebate to the United States required to maintain the Tax-Exempt status of interest on such Parity Obligations; (j) any cost or expense paid by the City to comply with requirements of law applicable to the Electric System or the City's ownership or operation thereof or in any capacity with respect thereto or any activity in connection therewith, including without limitation the public benefit uses required by Section 385 of the California Public Utilities Code; and (k) any other costs or expense which, in accordance with Generally Accepted Accounting Principles, is to be treated as a cost of operating or maintaining the Electric System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, Franchise Payments to the City and Unrealized Items. Except as provided in clause (d) above, no transfer of Revenues to the City, including Franchise Payments, will constitute an Operation and Maintenance Expense.

For a description of certain obligations payable as Operation and Maintenance Expenses, see the caption "ELECTRIC SYSTEM OBLIGATIONS."

"Operating Reserve" means, as of any date of calculation, an amount in the Light and Power Fund equal to the amount contained in the then current Budget for Operations and Maintenance Expenses for the four months next succeeding the month in which the date of calculation occurs.

"Obligations" is defined in the Indenture to include: (a) obligations with respect to borrowed money such as bonds, notes or other evidences of indebtedness, installment purchase payments under any contract and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles) which are payable from the Net Revenues and/or amounts in the Light and Power Fund; (b) obligations to replenish any debt service reserve fund with respect to obligations of the City described in clause (a); (c) obligations under a Public Finance Contract payable from the Net Revenues and/or amounts in the Light and Power Fund; and (d) Credit Provider Reimbursement Obligations.

"Public Finance Contract" is defined in the Indenture to mean: (a) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices; (b) any contract to exchange cash flows or a series of payments; or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

"Franchise Payments" is defined in the Indenture to mean the payment in lieu of franchise tax added to each Electric System customer bill to be paid to the City's General Fund and any successor or replacement payment.

For definitions of certain other terms used herein, see Appendix B.

The issuance of the 2020 Bonds does not directly, indirectly or contingently obligate the City to levy or pledge any form of taxation or to make any appropriation for their payment. The 2020 Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the Trust Estate pledged pursuant to the Indenture which is subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Neither the faith and credit nor the taxing power of the City, the State or

any other public agency is pledged to the payment of the principal of, or premium, if any, or interest on, the 2020 Bonds. The 2020 Bonds do not constitute a debt, liability or obligation of the State or any public agency other than the special obligation of the City as provided in the Indenture. The members of the City Council of the City, and the officers and employees of the City, will not be individually liable on the 2020 Bonds or in respect of any undertakings by the City under the Indenture.

Deposit and Application of Revenues

Pursuant to the Indenture, the City is to deposit or cause to be deposited all Revenues into the Light and Power Fund upon receipt thereof. Without limiting the provisions of the Indenture regarding investment of certain funds, the City is to apply the Revenues for each Fiscal Year, as received, first to the payment of Operation and Maintenance Expenses then due and payable, and then to the payment of amounts required to be paid with respect to Debt Service on, and reserves for, the Bonds and other Parity Obligations. The City may then apply any remaining Revenues to any lawful purpose in connection with the Electric System, including the payment of amounts required to be paid with respect to Subordinate Obligations, the payment of Costs of Capital Improvements and, to the extent permitted by the Indenture, to transfers to the City's General Fund.

Payments to Trustee for Bonds

During each Fiscal Year the City will pay the Trustee, from the Net Revenues of such Fiscal Year, the following amounts at the following times:

(a) on the fourth Business Day prior to each Interest Payment Date for any Outstanding Bonds, an amount equal to the interest payable on the Outstanding Bonds on such Interest Payment Date; provided, however, that such payments will be reduced by any available amounts on deposit in the Interest Account which are to be applied to such upcoming interest payment;

(b) on the fourth Business Day prior to each date on which the principal of Outstanding Bonds which are Serial Obligations mature, an amount equal to the principal of such Outstanding Bonds maturing on such date; provided, however, that such payments will be reduced by any available amounts on deposit in the Principal Account which are to be applied to the upcoming principal payment;

(c) on the fourth Business Day prior to each Sinking Fund Installment due date for Outstanding Bonds which are Term Obligations, an amount equal to the Sinking Fund Installments due with respect to all Outstanding Bonds which are Term Obligations on such Sinking Fund Installment due date; provided, however, that such payments will be reduced by any available amounts on deposit in the Sinking Fund Account which are to be applied to the redemption or payment of such Bonds on such Sinking Fund Installment due date and by the amount by which the City's obligations to make payments with respect to such Sinking Fund Installments have been satisfied pursuant to the Indenture;

(d) at least one Business Day prior to each date fixed for the redemption of Outstanding Bonds (other than from Sinking Fund Installments and other than an optional redemption of Bonds as to which a conditional notice of redemption has been sent to the Owners pursuant to the Indenture), an amount equal to the Redemption Price of the Bonds to be redeemed;

(e) on the date on which the principal of or interest on any Outstanding Bond becomes due and payable, other than as provided in clauses (a) through (d) above, the City will pay an amount in funds which are immediately available to the Trustee by 10:00 a.m. (Pacific Time) on the due date, equal to the principal of and interest on the Outstanding Bonds due on such date;

(f) in the event that on any date upon which the City is to make a payment pursuant to clauses (a), (b), (c), (d), and/or (e) above and the amount of Net Revenues and the amount in the Light and Power Fund available therefor in accordance with the Indenture is not sufficient to make such payment and any payment

required to be made on such date with respect to the principal and redemption premium of and interest on other Parity Obligations (including, with respect to transactions under Qualified Swap Agreements, the Net Payments due), then the City will apply the Net Revenues and amounts in the Light and Power Fund available therefor in accordance with the Indenture to the payments required by clauses (a), (b), (c), (d), and/or (e) above and such payments with respect to the other Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination or preferences;

(g) on the Business Day preceding each July 1, the City will pay an amount for deposit in the Debt Service Reserve Fund, such that, after the deposit, the amount on deposit in such Fund is at least equal to the Debt Service Reserve Requirement, including the amount of any Reserve Financial Guaranties on deposit in the Debt Service Reserve Fund; and

(h) in the event that on any date upon which the City is to make a payment pursuant to clause (g) above and the amount of Net Revenues and the amount in the Light and Power Fund available therefor in accordance with the Indenture is not sufficient to make such payment and any payment required to be made on such date with respect to debt service reserves for other Parity Obligations, then the City, after making the payments required by clauses (a), (b), (c), (d), (e), and (f) above, will apply the Net Revenues and amounts in the Light and Power Fund available therefor in accordance with the Indenture to the payments required by paragraph (g) above and such payments with respect to debt service reserves for Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination or preferences.

In the event that on any date all payments required to be made pursuant to the preceding paragraphs are not made in full from Net Revenues, then the City will make up any deficiency from amounts in the Light and Power Fund after setting aside in the Light and Power Fund an amount equal to the Operating Reserve. In the event that on any date all payments required to be made pursuant to the preceding clauses (a) through (h) are not made in full, then no payment will be made which has a priority lower than the delinquent payment until all delinquent payments with a higher priority have been made in full.

Rate Covenant

Pursuant to the Indenture, the City has covenanted, at all times, to fix, prescribe and collect rates and charges for the Electric Service of the Electric System during each Fiscal Year which will be at least sufficient to yield: (a) Adjusted Revenues for such Fiscal Year at least equal to the sum of the following for such Fiscal Year: (i) Operation and Maintenance Expenses; (ii) Adjusted Debt Service; and (iii) all other payments required to be paid in such Fiscal Year to meet any other obligations of the City which are charges, liens or encumbrances upon or payable from the Revenues (including Net Revenues), including all amounts owed to a Credit Provider under the terms of its Credit Support Agreement and amounts owed to a Reserve Financial Guaranty Provider under the terms of its Reserve Financial Guaranty; and (b) Adjusted Revenues less Operation and Maintenance Expenses for such Fiscal Year equal to at least 110% of Adjusted Debt Service for such Fiscal Year.

The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Revenues and the Adjusted Net Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

“Adjusted Revenues” is defined in the Indenture to mean, for any period of time, the Revenues for such period less the amount of such Revenues which have been deposited in the Expense Stabilization Fund plus the amount of withdrawals during such period from the Expense Stabilization Fund.

“Adjusted Debt Service” is defined in the Indenture to mean, for any period of time, the Debt Service with respect to Outstanding Parity Obligations for such period minus the sum of the amount of such Debt

Service to be paid during such period from the proceeds of Parity Obligations or Subordinate Obligations as set forth in a certificate of the City.

Debt Service Reserve Fund

The Debt Service Reserve Fund is required to be maintained in an amount equal to the Debt Service Reserve Requirement. A portion of the proceeds of the 2020 Bonds will be deposited in the Debt Service Reserve Fund so that the amount on deposit therein is no less than the Debt Service Reserve Requirement as of the date of issuance of the 2020 Bonds. Amounts in the Debt Service Reserve Fund are to be used to pay principal and Redemption Price of and interest on the Bonds then due and payable in the event of any insufficiency in the amount on deposit in the Debt Service Fund available for such payment.

“Debt Service Reserve Requirement” means, as of any date of calculation, an amount equal to the least of: (a) 10% of the initial offering price to the public of the Bonds as determined under the Code; or (b) the greatest amount of Debt Service on the Outstanding Bonds in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Outstanding Bond is due; or (c) 125% of the sum of the Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of any Bonds) and terminating with the last Fiscal Year in which any Debt Service on an Outstanding Bond is due, divided by the number of such Fiscal Years, all as computed and determined by the City and specified in writing to the Trustee; provided, however that in determining Debt Service with respect to any Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds for any period as to which such interest rate has not been established will be assumed to be: (i) with respect to Bonds which are Tax-Exempt, the ten year historical average of the SIFMA Index ending with the week preceding the date of calculation; and (ii) with respect to Bonds which are not Tax-Exempt, the ten year historical average of the One Month USD LIBOR Rate ending with the month preceding the date the calculation is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City. Upon the issuance of the 2020 Bonds and the refunding of the Bonds described under the caption “PLAN OF FINANCE—Refunding Plan,” the Debt Service Reserve Requirement will be \$_____.

Pursuant to the Indenture, in lieu of the required deposits and transfers of money to the Debt Service Reserve Fund, the City may cause to be deposited in the Debt Service Reserve Fund a Reserve Financial Guaranty or Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in such fund concurrently with such Reserve Financial Guaranty or Guaranties. There is currently no such Reserve Financial Guaranty in the Debt Service Reserve Fund.

“Reserve Financial Guaranty” is defined in the Indenture to mean a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by S&P and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

Pursuant to the Fifth Supplemental Indenture, the definition of “Reserve Financial Guaranty” set forth above will be amended and restated as set forth below at such time as all currently outstanding Bonds (excluding the 2020 Bonds) are defeased:

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the same rating category (without regard to qualifiers) as the Bonds by S&P and Moody’s

and, if rated by A.M. Best & Company, also in the same rating category (without regard to qualifiers) as the Bonds by A.M. Best & Company.”

Expense Stabilization Fund

Moneys may be deposited in the Expense Stabilization Fund held by the Trustee in such amounts, at such times and from such sources as determined by the City in its sole discretion. Moneys on deposit in the Expense Stabilization Fund may be withdrawn by the City at any time that no Event of Default exists under the Indenture and applied to any lawful purpose in connection with the Electric System, including without limitation, payment of Operation and Maintenance Expenses, payment of Debt Service on the Bonds or other Parity Obligations, payment of principal or premium or interest on Subordinate Obligations, payment of costs of Capital Improvements or payment of the costs of issuance of Parity Obligations or Subordinate Obligations. For any period of time, any amounts so withdrawn from the Expense Stabilization Fund are included in the calculation of Adjusted Revenues for such period of time. See the caption “—Rate Covenant.” If an Event of Default under the Indenture has occurred and is continuing, the Trustee will transfer all moneys in the Expense Stabilization Fund to the Interest Account and the Principal Account of the Debt Service Fund as provided in the Indenture. As of January 31, 2020, there was \$[] on deposit in the Expense Stabilization Fund.

Outstanding Electric System Obligations

Upon the issuance of the 2020 Bonds, the 2008A Bonds, the 2009A Bonds, the 2012A Bonds, the 2012B Bonds, the 2015A Bonds and the 2020 Bonds will be the only Parity Obligations of the City payable from the Electric System Net Revenues or amounts in the Light and Power Fund. For a description of other obligations of the City payable from Electric System Revenues, including certain “take-or-pay” obligations payable as Operation and Maintenance Expenses, see the caption “ELECTRIC SYSTEM OBLIGATIONS.”

Additional Parity Obligations

The City has covenanted pursuant to the Indenture that it will not issue any bond, note or other evidence of indebtedness payable from or secured by the Trust Estate or any part thereof on a basis which is: (i) in any manner prior or superior to the lien on, pledge of and security interest in the Trust Estate securing the Outstanding Bonds pursuant to the Indenture; or (ii) except for other Parity Obligations with respect to the Revenues and amounts in the Light and Power Fund, in any manner on a parity with the lien on, pledge of and security interest in the Revenues and amounts in the Light and Power Fund securing the Outstanding Bonds pursuant to the Indenture. Nothing in the Indenture prevents the City from issuing Subordinate Obligations.

Pursuant to the Indenture, the City may, at any time and from time to time, issue any Additional Parity Obligations, provided the City obtains or provides either:

(a) a certificate or certificates, prepared by the City or at the City’s option by an Independent Engineer, showing: (i) that the Adjusted Net Revenues for any 12 consecutive month period within the 18 consecutive months ending immediately prior to the issuance of such Additional Parity Obligations selected by the City in its sole discretion (the “**Calculation Period**”), amounts to at least 1.25 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations; and (ii) that the Net Revenues for such applicable Calculation Period amount to at least 1.00 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations; or

(b) a certificate or certificates, prepared by the City or at the City’s option by an Independent Engineer, showing: (i) that the projected Adjusted Net Revenues during each of the five complete Fiscal Years beginning with the first Fiscal Year following the issuance of such Parity Obligations in which interest thereon is not capitalized, in whole or in part, from the proceeds of Parity Obligations or Subordinate Obligations, amount to at least 1.25 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be

Outstanding during such Fiscal Years; and (ii) that the projected Net Revenues during each of the five complete Fiscal Years beginning with the first Fiscal Year following the issuance of such Parity Obligations in which interest thereon is not capitalized, in whole or in part, from the proceeds of Parity Obligations or Subordinate Obligations, amount to at least 1.00 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding during such Fiscal Years.

For purposes of preparing such certificate or certificates, the City and any Independent Engineer will utilize and rely on financial statements prepared by the City which have been audited by an Independent Certified Public Accountant but may utilize and rely upon the books and records of the City or any unaudited financial statements prepared by the City if audited financial statements for the particular Calculation Period selected by the City are not available.

Notwithstanding the foregoing (and without satisfying the revenue tests above), the City may at any time but subject to the applicable requirements of the Indenture: (i) issue or enter into an obligation or commitment which is a Qualified Swap Agreement; (ii) issue Refunding Parity Obligations, provided that the Aggregate Adjusted Annual Debt Service for all Parity Obligations to be Outstanding after the issuance of such Refunding Parity Obligations will not exceed the Aggregate Adjusted Annual Debt Service for all Parity Obligations Outstanding immediately prior to the issuance of such Refunding Parity Obligations in each Fiscal Year from the date of issuance of such Refunding Parity Obligations to the last Fiscal Year in which any Parity Obligations Outstanding immediately prior to and subsequent to the issuance of such Refunding Parity Obligations are scheduled to remain Outstanding; and (iii) enter into Credit Support Instruments or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

See Appendix B for the definition of certain terms used above.

Transfers to General Fund

The City has covenanted in the Indenture not to transfer Net Revenues for any Fiscal Year to the City's General Fund, including the Franchise Payment, in an amount exceeding the Net Transferable Income for such Fiscal Year, which amount will be determined at the end of such Fiscal Year; provided that so long as an Event of Default has occurred and is continuing under the Indenture, the City may not transfer any Net Transferable Income to the City's General Fund.

"Net Transferable Income" means, with respect to any Fiscal Year, the Net Revenues for such Fiscal Year less the Debt Service for such Fiscal Year; provided that, the Net Transferable Income for any Fiscal Year may not exceed the difference between: (i) 11.5% of the retail sales for such Fiscal Year; and (ii) the sum of: (A) the amount paid pursuant to clause (d) of the definition of Operation and Maintenance Expenses in such Fiscal Year; plus (B) the amount, if any, paid to the City as a Franchise Payment in such Fiscal Year.

In 2018, City voters approved a utility users' tax (the **"UUT"**), including a 6% tax on industrial and commercial users of electric services which is being phased over a period extending through Fiscal Year 2021 and terminating in Fiscal Year [2027]. The City expects that the collection of the UUT will enable the City to reduce transfers from the Electric System to the General Fund during the period while the UUT is collected, as UUT proceeds will support General Fund activities that have historically been funded from Electric System transfers. The Electric System will continue to make Franchise Payments to the General Fund while the UUT is being collected. See the caption **"—Pledge Effected by the Indenture."**

The following table shows the amount of transfers from the Light and Power Fund to the City's General Fund for the last five Fiscal Years and the amount projected for the current Fiscal Year.

**CITY OF VERNON ELECTRIC SYSTEM
Transfers to General Fund**

<i>Fiscal Year Ended June 30</i>	<i>Amount of Transfer⁽¹⁾</i>
2015	\$14,306,266
2016	14,507,260
2017	13,121,515
2018 ⁽²⁾	14,344,504
2019 ⁽³⁾	4,572,075
2020 ⁽³⁾⁽⁴⁾	4,925,975

⁽¹⁾ Includes Franchise Payments; does not include City-allocated administrative expenses constituting Operation and Maintenance Expenses. See the limitation regarding Net Transferable Income above.

⁽²⁾ The Electric System received a transfer in from the General Fund in the amount of \$22,595,532 in Fiscal Year 2018 (reflecting redevelopment bond proceeds that the City elected to apply to Electric System capital projects), resulting in a net transfer in from the General Fund of \$8,251,028. [CONFIRM ALL \$22,592,532 WENT TO ELECTRIC SYSTEM AND NONE TO WATER SYSTEM].

⁽³⁾ Reflects Franchise Payments only. Reduction beginning in Fiscal Year 2019 reflects approval of UUT.

⁽⁴⁾ Projected. Subject to change.

Source: City of Vernon.

See the caption "CONSTITUTIONAL LIMITATIONS ON TAXES AND FEES—Articles XIII C and XIII D of the State Constitution" for a discussion of certain limitations on and case decisions relating to transfers from municipal electric utility funds to general funds. The City sets its rates and its budget with the expectation that certain transfers will be made from the Electric System to the City's General Fund in accordance with the restrictions set forth in the Indenture. In the event that transfers are further restricted, the City does not believe that any such further restrictions would have a material adverse effect on the financial position of the Electric System. However, such further restrictions on transfers may cause the City to evaluate new strategies to generate revenues to fund services provided by the City.

Limitations on Remedies

The rights of the Owners of the 2020 Bonds are subject to the limitations on legal remedies against cities in the State. Additionally, enforceability of the rights and remedies of the Owners of the 2020 Bonds, and the obligations incurred by the City, may become subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or later in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in appropriate situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

THE CITY

General

The City was incorporated in 1905 under the general laws of the State. City voters approved a charter in 1988 and the City thereafter became a charter city. The City has a land area of approximately 5.2 square miles and an estimated population of 240 people as of December 1, 2019. Land use in the City primarily consists of industrial development, with small areas devoted to commercial and residential uses. See the caption “—Land Use and Service Area.” The City provides a wide range of services, such as public utilities (including water, gas, fiber and electric services), police protection and public works. The City is currently in the process of transitioning fire services from the City’s Fire Department to the County of Los Angeles Fire Department. The transition is expected to be finalized by late 2020.

The City is located in the County of Los Angeles (the “**County**”), approximately 5 miles south of downtown Los Angeles. The City has extensive rail lines running through it, as well as two large intermodal freight yards at the City northern boundaries, to serve its industrial customer base. It is also located along Interstate 710 and is in close proximity to Interstates 5, 10, 105 and 110. With its location along or near these freeways, its close proximity to the Ports of Los Angeles and Long Beach and Los Angeles International Airport, together with the rail lines within the City, the City has access to a significant transportation network. The City has diversified from its origins as a hub for livestock businesses and there are currently over 1,700 industrial firms employing approximately 37,000 people within the City.

The City provides electric service to approximately 1,223 small industrial, 524 large industrial and 168 commercial, residential and other customers as of June 30, 2019. The City’s Electric System is comprised of generation, transmission, and distribution facilities and includes approximately 4,750 poles, 8 electric substations and a peak load of approximately 185 megawatts (“**MWs**”), which was achieved in 2017.

The City’s electricity supply is provided from the following sources: (i) the Malburg Generating Station (the “**MGS**”), a combined cycle natural gas fired generating plant operating within the City (approximately 51% in Fiscal Year 2019); (ii) Palo Verde Nuclear Generating Station (“**PVNGS**”) (approximately 8% in Fiscal Year 2019); (iii) short-term contracts for a term of less than one year (approximately 23% in Fiscal Year 2019); (iv) power purchase agreements relating to three renewable energy projects (approximately 15% in Fiscal Year 2019); and (v) other sources (approximately 3% in Fiscal Year 2019). See the captions “THE ELECTRIC SYSTEM—Power Supply Resources” and “THE ELECTRIC SYSTEM—Renewable Energy Resources.”

In order to comply with certain State mandates relating to renewable energy, the City expects that its supply of electricity from renewable resources will increase in the future. See the captions “—Integrated Resource Plan,” “THE ELECTRIC SYSTEM—Renewable Energy Resources” and “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.”

Land Use and Service Area

The Electric System provides service to an area consisting of the 5.2 square mile geographic area of the City. The service area is largely built out and primarily encompasses industrial and commercial businesses, with small areas of residential use. In Fiscal Year 2019, industrial customers purchased approximately []% of the electricity supplied by the City. Because the Electric System’s customer base is primarily industrial and commercial, electricity demand is not dependent on population growth but is closely tied to regional, national and international economic trends.

Governance and Management

General. The City is governed by a five-member City Council, the members of which are elected at large for staggered four year terms. Council members select a Mayor and Mayor Pro Tem from among the City Council. The current Mayor and City Council members and the expiration dates of their terms are set forth below.

CITY OF VERNON Mayor and City Council Members

<i>Name and Title</i>	<i>Expiration of Term</i>
Melissa Ybarra, Mayor	April 2022
Leticia Lopez, Mayor Pro Tem	April 2021
William “Bill” Davis, Council Member	April 2023
Carol Menke, Council Member	April 2024
Diana Gonzales, Council Member	April 2020

The City Administrator, who is appointed by the City Council, serves as the City’s chief executive officer and is responsible for overseeing the daily operations of City departments. The City Administrator serves as an advisor to the City Council on policy matters, supports the informational and policymaking needs of the City Council, implements City Council decisions and prepares, manages and implements the City’s annual budgets and Capital Improvement Program.

Carlos R. Fandino, Jr. has served as the City Administrator since 2016. Mr. Fandino previously worked for the City’s Gas and Electric Department (now known as Vernon Public Utilities), serving in a variety of capacities, including as General Manager. Mr. Fandino previously served in the United States Marine Corps and is a Desert Storm/Desert Shield combat veteran. He obtained a Bachelor’s degree in Business & Management from the University of Woodbury in Burbank, graduating Magna Cum Laude.

Other key personnel responsible for management of the Electric System include the Director of Finance/Treasurer and the General Manager of Public Utilities.

Scott Williams is the Director of Finance/Treasurer of the City. Mr. Williams has been with the City since 2019 and has over 20 years of financial management experience. Prior to coming to the City, Mr. Williams served as the Finance Director and Administrative Services Officer for the City of Signal Hill, California, and in various financial management positions in both the public and private sector. Mr. Williams obtained a Bachelor’s degree in Business Administration from The Master’s University, an MBA from California State University, Monterey Bay, and a Doctorate in Public Administration from California Baptist University in Riverside, California. Mr. Williams is a member of the California Society of Municipal Finance Officers, the California Municipal Treasurers Association, the Association of Certified Fraud Examiners and the Institute of Management Accountants.

Abraham Alemu is the General Manager of Public Utilities of the City. Mr. Alemu has been with the City since 1992. Mr. Alemu obtained a Bachelor’s degree in Electrical Engineering from California State University, Los Angeles, and a Masters in Business Administration from Woodbury University. Mr. Alemu is a Registered Professional Engineer in California and a member of the Institute of Electrical and Electronics Engineers.

Management Policies. The City has adopted several policies which are designed to ensure the prudent and effective management of City operations, including an investment policy and a debt management policy. Further information about each such policy is set forth below.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "**Investment Policy**"), which was most recently amended on July 2, 2019. The Investment Policy sets forth the policies and procedures that are applicable to the investment of City funds and designates eligible investments. The Investment Policy also sets forth stated objectives, including the assurance of the safety of invested funds by limiting credit and market risks, the maintenance of sufficient liquidity, compliance with law and the attainment of the best yield or returns on investments. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Yield.

The City Council has delegated the authority to invest funds of the City to the City Treasurer, who must invest City funds in accordance with the prudent person standard under California Civil Code § 2261 *et seq.*

The Investment Policy provides a number of permitted investment categories, including: (i) United States Treasury securities and other federal government securities with a maximum maturity of 5 years; (ii) asset-backed securities with a maximum maturity of 5 years; (iii) certificates of deposit with a maximum maturity of 5 years (limited to 30% of the portfolio); (iv) bankers' acceptances with a maximum maturity of 180 days (limited 40% of the portfolio); (v) repurchase agreement with a maximum maturity of one year; (vi) money market mutual funds (limited to 20% of the portfolio); and (vii) the Local Agency Investment Fund of the State (limited to \$50 million).

As of June 30, 2019, the City had total moneys invested in the amount of \$99,924,928 in permitted investments under the Investment Policy. The City has not specifically allocated any portion of such amounts to the Light and Power Fund.

[EDIT AS NEEDED] [The City Treasurer is required to provide a quarterly report to the City Administrator and the City Council detailing the City's investments, dates of maturity, amounts invested, current market value, rate of interest and other such information as may be required by the City Council.] For additional information relating to the Investment Policy, see Note [2] to the City's audited financial statements set forth in Appendix A.

Debt Management Policy. The City's debt management policy addresses the matters that are required by California Government Code § 8855(i), including: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the City's capital improvement program or budget; (iv) policy goals related to the City's planning goals and objectives; and (v) the internal control procedures which ensure that the proceeds of each debt issuance are directed to their intended use.

Business and Industry Commission. In July 2014, the City established the Vernon Business and Industry Commission to advise, assist and make recommendations to the City regarding ways to make the City more attractive to employees, businesses and investors while appropriately considering the needs and concerns of the residential communities within and in close proximity to the City. The Business and Industry Commission represents the consolidation of two previously existing Ad Hoc Advisory Committees created and appointed by the City Council, one on Electric Rates and the other on Business Development. The Commission is comprised of seven members from the following categories who are appointed by the City Council: three City business representatives, two City real estate representatives, one employee of a business located in the City or who is a member of a labor union that represents workers at a business located in the City and one current City Council Member. The Business and Industry Commission meets quarterly to provide input and make recommendations to the City on a number of matters relating to or impacting business

and industrial development with the City, including electric rate adjustments. The input and recommendations provided by the Business and Industry Commission are not binding on the City.

Prior Attempt to Disincorporate City; City Reform

In December 2010, Assembly Bill 46 (“**AB 46**”), an act to disincorporate the City and make it part of the unincorporated territory of the County, was introduced into the State Assembly. AB 46 stated that it was motivated by, among other things, a desire to eliminate alleged corrupt practices by City officials, including misuse of public funds and excessive salaries and concern with the close relationship between the City management and its relatively small number of residents. A companion bill, Assembly Bill 781 (“**AB 781**”), was also introduced which, among other things, would have transferred the Electric System to a special district governed by the Board of Supervisors of the County. The enactment of AB 781 was dependent upon the enactment of AB 46. The City took the position that AB 46 violated the provisions of the State Constitution providing that a vote of the City electorate was necessary to repeal a city charter.

Both bills were opposed by many of the residents and businesses within the City as well as labor unions representing workers within the City. Although both bills were passed by the State Assembly, the bills were not approved by the State Senate and neither bill became law. In connection with the State Senate’s consideration of AB 46 and AB 781, the City Council agreed to a reform program proposed by the State Senator for the senatorial district in which the City is located (the “**De Leon Plan**”). A key recommendation of the De Leon Plan was implemented in December 2011 when former State Attorney General and County District Attorney John Van de Kamp was retained by the City to serve as the City’s Independent Reform Monitor for a four-year term, commencing February 15, 2012. As part of this engagement, the Independent Reform Monitor evaluated and assessed the City’s reform progress on a periodic basis and issued recommendations in semi-annual reports to the City.

Since 2011, the City has implemented a variety of good governance reform measures. In November 2011, the City Council placed before the electorate a series of amendments to the City’s charter to implement significant elements of the reform program. The amendments were overwhelmingly passed by the voters and are now in effect. In October 2013, the City Council adopted a personnel merit system to replace the City’s former at-will employment system. The City’s personnel policy and procedures manual provides for City staff salaries to be set based on comparable labor market data as part of a periodic Citywide classification and compensation study, and the City believes that City salaries have been adjusted to a level that more closely reflects salaries for comparable positions in other cities in the State. Additionally, the selection process for hiring the City’s senior administration officials was revised and now utilizes professional search firms and interview panels.

In September 2011, a week after the State Senate vote on AB 46, the Joint Legislative Audit Committee of the State Legislature requested that the Bureau of State Audits undertake an audit of the City and its Gas and Electric Department. The City fully cooperated with the Bureau of State Audits and, in September 2014, the Bureau of State Audits concluded that although a few of the recommendations were still in progress, no further follow-up responses from the City were required at that time.

In early 2016, the four-year term of the Independent Reform Monitor ended and was not renewed.

Although the City is not aware of any further attempt to disincorporate the City or any audits or investigations, the City can provide no assurances that there will not be a future attempt to disincorporate the City or calls for additional reform of City governance. Should any future disincorporation attempts be successful, or should any future audits or investigations result in the identification or allegation of any impropriety, or should the City be required to implement additional reforms of its practices and procedures, the City cannot predict what effects, if any, such events would have on the City, its Electric System or the 2020 Bonds.

Employees

As of June 30, 2019, the City had approximately 256 full-time equivalent employees, of whom approximately [] worked solely on behalf of the Electric System. Certain employees of Vernon Public Utilities are represented by the International Brotherhood of Electrical Workers Local 47 (the “**IBEW**”) and the Teamsters Local 911 (the “**Teamsters**”). Relations between the City and the IBEW are governed by a memorandum of understanding which expires on June 30, 2022 and relations between the City and the Teamsters are governed by a memorandum of understanding which expires on June 30, 2022. Certain management, supervisory and professional employees are unrepresented. The City has never experienced a strike, slowdown or work stoppage.

Employee Benefits

Pension Obligations. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board (“**GASB**”) Statement No. 68 (“**GASB 68**”). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer’s balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer’s actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting and reporting requirements, but it does not change the City’s pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees who operate the Electric System. The City’s Miscellaneous plan is administered by the California Public Employees Retirement System (“**CalPERS**”). CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City’s full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

CITY OF VERNON
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions

	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired On or After January 1, 2013 (Not Prior CalPERS Members)</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Minimum Retirement Age	50	52
Monthly Benefits as % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Employee Normal Cost	8.0% ⁽¹⁾	5.75% ⁽²⁾
Employer Normal Cost Rate	9.433%	9.433%

⁽¹⁾ [Employees who were hired before January 1, 2013 are required to make the full employee contribution.] [The City makes ___% of the required employee contribution for employees who were hired before January 1, 2013].

⁽²⁾ Employees who were hired on or after January 1, 2013 who were not previously CalPERS members are required to make the full employee contribution.

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

CITY OF VERNON
Pensionable Income Caps for Calendar Year 2019 (AB 340 and Non-AB 340 Employees)

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$280,000	\$149,016
Maximum Pensionable Income if also Participating in Social Security	N/A	\$124,180

Source: City.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a

percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

Required employer normal cost rates for Fiscal Year 2019 were 9.433% for all benefit levels, and the required employer payment of the unfunded accrued liability was \$2,397,908. Required employer normal cost rates for Fiscal Year 2020 are 10.862% for all benefit levels, and the required employer payment of the unfunded accrued liability is \$2,852,713.

The Miscellaneous plan contributions for Fiscal Years 2018 and 2019 were \$8,713,902 and \$8,896,669, respectively. The City currently expects its annual required contribution for the Miscellaneous plan in Fiscal Year 2020 to be approximately \$7,566,993. The share of such contributions which is attributable to the Electric System is determined based on the proportion of Light and Power Fund payroll expenditures to payroll expenditures for all City employees who participate in the Miscellaneous plan. Such share was []% in Fiscal Year 2019, and is expected to be approximately []% in Fiscal Year 2020.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00%. Effective with its June 2017 Comprehensive Annual Financial Report, CalPERS reduced its discount rate to 7.15% and its investment rate of return to 7.15%. The discount rate for Fiscal Year 2020 is 7.00%.

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the City's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments (relative to the unfunded accrued liability payments projected in the June 30, 2015 valuation report) for miscellaneous pension plans. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are

“forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The City’s Miscellaneous plan had a total net pension liability of approximately \$34,060,942 for the Fiscal Year ended June 30, 2018 and approximately \$36,594,112 for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

[CONFIRM] [For Fiscal Years 2018 and 2019, the City incurred Miscellaneous plan pension expenses of \$3,173,495 and \$8,476,844, respectively.]

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.

CITY OF VERNON
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: City.

Changes in the net pension liability for the City’s Miscellaneous plan in the most recent Fiscal Year for which information is available were as follows:

CITY OF VERNON
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2017	\$ 153,756,378	\$ 119,695,436	\$ 34,060,942
Balance at June 30, 2018	<u>163,980,758</u>	<u>127,386,646</u>	<u>36,594,112</u>
Net Changes for period from July 1, 2017 through June 30, 2018	\$ 10,224,380	\$ 7,691,210	\$ 2,533,170

Source: City.

The table below presents the net pension liability of the City’s Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2019 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the Fiscal Year 2019 rate:

CITY OF VERNON
Sensitivity of the CalPERS Miscellaneous Pension Plan Net Pension Liability to
Changes in the Discount Rate

	<i>Discount Rate – 1 % (6.15%)</i>	<i>Applicable Discount Rate (7.15%)</i>	<i>Discount Rate + 1 % (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$60,377,852	\$36,594,112	\$17,177,143

Source: City.

The City's projections of Operation and Maintenance Expenses under the caption "ELECTRIC SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in CalPERS contributions or other labor costs in the future. However, no assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2020 Bonds.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note [8] to the City's audited financial statements set forth in Appendix A.

Post-Employment Benefits. In addition to the pension benefits that are described under the caption "—Pension Obligations," the City provides certain health care benefits for retired employees and eligible dependents. Substantially all of the City's full-time employees who are eligible for pension benefits may become eligible for such other post-employment benefits. As of June 30, 2019, 256 employees meet these eligibility requirements and 116 retirees or their beneficiaries participate in the plan, with another 3 eligible to participate but not yet doing so. [Annual required contributions] of approximately \$2,951,698 and \$1,073,477, respectively, were recognized for post-employment health care benefits in Fiscal Years 2018 and 2019.

GASB Statement No. 75 ("**GASB 75**") requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the City, the reporting obligation began in Fiscal Year 2018.

The City retained Van Iwaarden Associates (the "**Actuarial Consultant**") to calculate the City's post-employment benefits funding status. In a report dated November 15, 2019 (the "**Report**"), the Actuarial Consultant concluded that, as of June 30, 2019, the City's net liability for post-employment benefits was \$23,100,129. The Actuarial Consultant also concluded that the City's actuarially determined contribution for Fiscal Year 2020 (the actuarial value of benefits earned during Fiscal Year 2020 plus costs to amortize the unfunded actuarial accrued liability, or "**ADC**") is \$1,931,700. The share of such contribution which is attributable to the Electric System is expected to be approximately [__]% in Fiscal Year 2020.

Changes in the net liability for the City's post-employment benefit plan were as follows.

CITY OF VERNON
Changes in Post-Employment Benefit Plan Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Post-Employment Benefit Plan Liability / (Asset)</i>
Balance at June 30, 2018	\$37,355,851	\$1,057,267	\$36,298,584
Balance at June 30, 2019	<u>25,279,784</u>	<u>2,179,655</u>	<u>23,100,129</u>
Net Changes for period from July 1, 2018 through June 30, 2019	(\$12,076,067)	\$1,122,388	(\$13,198,455)

Source: City.

The following table presents the net liability of the City's post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2019 (6.50%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the Fiscal Year 2019 rate:

CITY OF VERNON
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate

	<i>Discount Rate – 1% (5.50%)</i>	<i>Applicable Discount Rate (6.50%)</i>	<i>Discount Rate + 1% (7.50%)</i>
Plan's Net Liability/(Asset)	\$26,234,945	\$23,100,129	\$20,472,569

Source: City.

The City's projections of Operation and Maintenance Expenses under the caption "ELECTRIC SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the City to pay the 2020 Bonds.

For additional information relating to the post-employment benefit plan, see Note [9] to the City's audited financial statements for Fiscal Year 2018 set forth in Appendix A.

Budget Process

The City prepares and adopts a budget on a modified accrual basis for each Fiscal Year which includes proposed expenditures and the means of financing such expenditures. Under the City's budget procedure, the City Administrator submits a proposed budget to the City Council for the Fiscal Year commencing the following July 1. Prior to June 30 of each year, a public hearing is held and public notice is disseminated to obtain public comments and the budget is legally enacted by the City Council through the passage of a resolution.

As discussed under the caption "—General," the City reached an agreement in mid-2019 to transition fire services, which are currently provided by the City's Fire Department, to the County of Los Angeles Fire

Department. As a result of the negotiations with the County of Los Angeles Fire Department and the significant adjustments to the City's budget arising from the outsourcing of fire services and the planned phaseout of the City's Fire Department, the City Council adopted the Fiscal Year 2020 budget on August 20, 2019, after the commencement of Fiscal Year 2020.

City Insurance

The City maintains liability insurance coverage for amounts up to \$20,000,000, with a \$2,000,000 self-insured retention.

The City is self-insured for workers' compensation liabilities for amounts up to \$1,000,000 per occurrence and maintains excess coverage of \$50,000,000.

The City maintains property insurance coverage for amounts up to \$100,000,000, with a deductible of \$25,000. [CONFIRM] [Certain Electric System components, including poles and transmission lines are not covered by property insurance.] The City does not carry earthquake coverage. See the captions "THE ELECTRIC SYSTEM—Seismic Activity" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

The City maintains directors and officers and employee dishonesty insurance coverage for amounts up to \$2,000,000, with a \$150,000 deductible.

The City maintains pollution insurance coverage for amounts up to \$5,000,000, with a \$5,000,000 aggregate and a \$50,000 self-insured retention.

The City has not settled any claims that exceeded its insurance coverages in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the 2020 Bonds are outstanding. See Appendix B under the caption "PARTICULAR COVENANTS—Insurance" for a description of insurance coverages that are required to be maintained while the 2020 Bonds are Outstanding.

Parity Obligations

2008A Bonds. In 2008, the City issued the 2008A Bonds to finance certain Electric System capital projects. The 2008A Bonds were outstanding in the aggregate principal amount of \$39,705,000 as of December 31, 2019 and are payable in semiannual installments at an interest rate of 8.590%. The 2008A Bonds mature on July 1, 2038. The obligation of the City to pay the 2008A Bonds is payable from Revenues on a parity with the 2020 Bonds.

2009A Bonds. In 2009, the City issued the 2009A Bonds to refinance certain Electric System capital projects and to redeem the Authority Bonds (as described under the caption "ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements"). The 2009A Bonds were outstanding in the aggregate principal amount of \$57,995,000 as of December 31, 2019 and are payable in semiannual installments at an interest rate of 5.125%. The 2009A Bonds mature on August 1, 2021. The obligation of the City to pay the 2009A Bonds is payable from Revenues on a parity with the 2020 Bonds. See the caption "PLAN OF FINANCE—Refunding Plan—2009A Bonds" for a discussion of the refunding of a portion of the outstanding 2009A Bonds on or about the date of issuance of the 2020 Bonds.

2012A Bonds. In 2012, the City issued the 2012A Bonds to finance certain Electric System capital projects. The 2012A Bonds were outstanding in the aggregate principal amount of \$37,640,000 as of December 31, 2019 and are payable in semiannual installments at interest rates of between 5.000% and

5.500%. The 2012A Bonds mature on August 1, 2041. The obligation of the City to pay the 2012A Bonds is payable from Revenues on a parity with the 2020 Bonds.

2012B Bonds. In 2012, the City issued the 2012B Bonds to finance and refinance certain Electric System capital projects. The 2012B Bonds were outstanding in the aggregate principal amount of \$35,100,000 as of December 31, 2019 and are payable in semiannual installments at interest rates of between 6.250% and 6.500%. The 2012B Bonds mature on August 1, 2026. The obligation of the City to pay the 2012B Bonds is payable from Revenues on a parity with the 2020 Bonds. See the caption “PLAN OF FINANCE—Refunding Plan—2012B Bonds” for a discussion of the refunding of a portion of the outstanding 2012B Bonds on or about the date of issuance of the 2020 Bonds.

2015A Bonds. In 2015, the City issued the 2015A Bonds to finance and refinance certain Electric System capital projects. The 2015A Bonds were outstanding in the aggregate principal amount of \$111,720,000 as of December 31, 2019 and are payable in semiannual installments at interest rates of between 4.050% and 4.850%. The 2015A Bonds mature on August 1, 2026. The obligation of the City to pay the 2015A Bonds is payable from Revenues on a parity with the 2020 Bonds. See the caption “PLAN OF FINANCE—Refunding Plan—2015A Bonds” for a discussion of the refunding of a portion of the outstanding 2015A Bonds on or about the date of issuance of the 2020 Bonds.

Integrated Resource Plan

In order to provide a long-term strategy to meet the electric service needs of its customers and comply with State and federal energy policies, including the policies which are discussed under the caption “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY,” the City developed an Integrated Resource Plan (the “**IRP**”) dated November 20, 2018. The IRP is a road map which charts a resource acquisition strategy favoring the procurement of more renewable energy resources and fewer carbon-emitting resources. Resource investment decisions were evaluated using an integrated approach to ensure reliability and environmental stewardship, and to ensure that mandated renewable resource requirements are achieved at the lowest possible cost.

Currently, renewable energy sources comprise approximately []% of the City’s energy supply. The IRP establishes a goal of increasing the Electric System’s renewable energy supply mix to 56% (equivalent to a 62% renewable portfolio standard) by 2030 and decreasing the Electric System’s reliance on natural gas to 35% by 2030. In order to meet these goals, the City will need to increase its acquisition of renewable energy supplies from solar sources beginning in 2021, followed by wind and geothermal sources. In order to make use of such supplies, the IRP contemplates that the City will increase its energy storage capability by approximately 1 MW per year in each of calendar years 2023 through 2027. The City expects that energy storage technology will improve over time, reducing energy storage costs.

The IRP does not assume that electricity supplied by the natural gas-fired MGS (which is discussed in detail under the captions “ELECTRIC SYSTEM OBLIGATIONS—Malburg Generating Station” and “THE ELECTRIC SYSTEM—Power Supply Resources—Malburg Generating Station”) will be part of the City’s energy portfolio after the expiration of the City’s current contract with the operator of the MGS in 2028. However, the IRP contemplates that the City will need an amount of base load generation within the Electric System service area after 2028 which is equivalent to that which is currently provided by the MGS. Options include renewing the MGS contract, acquiring the MGS, acquiring a portion of the output of another natural gas plant or increasing energy storage capability.

The IRP has been approved by the City Council and filed with the California Energy Commission. [CONFIRM] [The projected operating results shown in this Official Statement reflect in part the goals that are set forth in the IRP. However, there can be no assurance that such goals will be achieved as described in the IRP or that the goals which are set forth in the current IRP will not be changed in the future.] The City is

required to update the IRP every five years. See the caption “THE ELECTRIC SYSTEM—Developments Affecting the Power Supply—Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015.”

ELECTRIC SYSTEM OBLIGATIONS

In addition to the Outstanding Bonds, the City has entered into a number of transactions which constitute Operation and Maintenance Expenses and are payable from Revenues prior to payment of the 2020 Bonds, including short-term power purchase agreements, or which are payable from Net Revenues of the Electric System. The material transactions are described below.

Malburg Generating Station

As described under the caption “THE ELECTRIC SYSTEM—Power Supply Resources—Malburg Generating Station,” the City has entered into a Power Purchase Tolling Agreement, dated as of April 10, 2008 (the “**PPTA**”), with Bicent (California) Power LLC, a Delaware limited liability company (“**BCP**”) pursuant to which the City has purchased the output of the MGS, a combined cycle generating plant located within the City. Payments under the PPTA constitute Operation and Maintenance Expenses of the Electric System and are payable prior to payment of the 2020 Bonds.

See the caption “LITIGATION—Bicent Litigation” for a discussion of litigation between the City and BCP.

Power Sales Contract with SCPPA for PVNGS

As described under the caption “THE ELECTRIC SYSTEM—Power Supply Resources—SCPPA Palo Verde Nuclear Generating Station Interest,” the City has a 4.90% (11.9 MW) entitlement interest in Southern California Public Power Authority’s (“**SCPPA**”) ownership interest in PVNGS. The City has entered into a power sales contract with SCPPA (the “**PVNGS Contract**”) which provides the City with its share of capacity and energy from PVNGS. Under the PVNGS Contract, the City is obligated to pay its share of SCPPA costs associated with PVNGS, including operation and maintenance costs and debt service on SCPPA bonds issued for the project. The City’s payment obligations under the PVNGS Contract are on a “take-or-pay” basis, pursuant to which the City is required to make the payments whether or not the output of PVNGS is interrupted, suspended or terminated. The City’s payment obligations under the PVNGS Contract are required to be treated as Operation and Maintenance Expenses under the Indenture and any future electric revenue bond indenture or contract. The PVNGS Contract provides that under certain circumstances, the City’s share of entitlement to the output of PVNGS and its related payment obligations can be increased to compensate for failures by other SCPPA participants in PVNGS to meet their obligations under contracts with SCPPA in connection with PVNGS (including such other participants’ share of debt service on SCPPA obligations). As of June 30, 2019, SCPPA had \$[_____] principal amount of bonds outstanding for PVNGS, of which the City’s share was \$[_____]. The City’s share of PVNGS costs under the PVNGS Contract for Fiscal Year June 30, 2019 was \$[_____].

Gas Supply Agreements

Pursuant to a Natural Gas Purchase Agreement, dated as of June 1, 2006 (the “**Supply Agreement**”), by and between the City and the Vernon Natural Gas Financing Authority (the “**Authority**”), the City acquired a supply of prepaid natural gas (the “**Gas Supply**”). The Gas Supply remaining to be delivered consists of [_____] million British thermal units (“**MMBtus**”) of gas in Fiscal Year 2020 (of which a portion has been delivered to date) and 5,348,549 MMBtus in Fiscal Year 2021.

The Gas Supply is to be delivered by Citigroup Energy Inc. (the “**Supplier**”) pursuant to an Agreement for Purchase and Sale of Natural Gas, dated as of June 27, 2006, by and between the Authority and the Supplier (the “**Purchase Agreement**”). The Authority prepaid for the Gas Supply from the proceeds of

bonds of the Authority (the “**Authority Bonds**”), which Authority Bonds were redeemed in 2009 from proceeds of the 2009A Bonds and other available funds. See the caption “THE CITY—Parity Obligations—2009A Bonds.”

Upon the redemption of the Authority Bonds, the Supply Agreement, including the City’s obligation to make certain payments pursuant thereto, was terminated. The Purchase Agreement and the receipt of the Gas Supply thereunder were assigned by the Authority to the City, and the Supplier and the City are now in privity of contract relating to the delivery of the Gas Supply under the Purchase Agreement.

The City originally acquired the Gas Supply to provide fuel for the MGS. As described under the caption “THE ELECTRIC SYSTEM—City Plan to Optimize Resource Utilization,” the City has sold the MGS and entered into the PPTA to receive the output of the MGS. As a result of such sale, the City entered into a contract (the “**Sale Contract**”) for the sale to the Sacramento Municipal Utility District (“**SMUD**”) of an amount of gas equal to the gas remaining to be delivered under the Purchase Agreement less gas to be delivered to City retail gas customers. The Sale Contract obligates the City to deliver gas in the amounts and at the times specified in the Sale Contract. Such obligation of the City to deliver gas to SMUD is an independent obligation which is not dependent on the delivery of gas to the City under the Purchase Agreement. The Sale Contract fixes the price of gas sold to SMUD at an index price minus 25 cents per MMBtu, which the City estimates to result in a difference of approximately \$[1.2 million] per Fiscal Year from the index price. The Sale Contract with SMUD provides for payment in each month for the amount of gas delivered by the City under the Sale Contract in the previous month. SMUD’s obligation to pay for the gas under the Sale Contract constitutes an operation and maintenance cost of SMUD’s electric system.

Events of termination under the Purchase Agreement include the failure of the Supplier to deliver gas over a specified period and the failure of the Supplier to make a payment obligated under the Purchase Agreement which failure is not cured by Citigroup, Inc. (the “**Guarantor**”), as guarantor of the Supplier’s payment obligations under the Purchase Agreement. In the event of a termination of the Purchase Agreement, the Supplier (and the Guarantor) are required to make a termination payment to the City.

In the event that such termination payments are due but not paid, the City is entitled to draw upon an irrevocable standby letter of credit which the Supplier has made available. In addition, the Supplier is obligated to post collateral under the Purchase Agreement depending upon the Supplier’s credit rating; currently, collateral has been posted in the amount of approximately \$25,000,000.

In the event that the Supplier fails to perform its obligations under the Purchase Agreement, it would be necessary for the City to purchase replacement gas with Electric System funds in order to fulfill its obligations under the Sale Contract with SMUD, in addition to making ongoing payments of debt service on the 2009A Bonds. Satisfying such requirement may cause the City to draw upon the irrevocable standby letter of credit or access collateral posted by the Supplier (each as described in the preceding paragraph), or raise electric rates to levels higher than the rates which are projected herein. See the caption “ELECTRIC SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage.”

Hoover Upgrading Project

As described under the caption “THE ELECTRIC SYSTEM—Power Supply Resources—Hoover Upgrading Project—General,” the City has entered into a Contract for Electric Service (the “**CES**”) with the United States Department of Energy Western Area Power Administration (“**Western**”) in connection with power from the hydroelectric power plant of the Hoover Dam. While the City has advanced its share of the construction funds required by the CES, the City remains liable for its share of the operation and maintenance expenses of the Hoover Plant.

The City had previously entered into the Hoover Contract for Differences (the “**Hoover Contract for Differences**”) with Bicent (California) Hoover LLC (“**BCH**”). The Hoover Contract for Differences provided

for the City to swap the economic benefits and burdens under the CES with Western for fixed energy and capacity payments. For each month during the term of the Hoover Contract for Differences, a monthly payment was calculated by netting the City's payments for capacity and energy under the CES against specified fixed (subject to escalation) energy and capacity prices. To such netted amount certain credits under the CES were added and certain payments under the CES were subtracted. The Hoover Contract for Differences terminated in 2017.

Any payments due under the CES constitute Operation and Maintenance Expenses of the Electric System and are payable prior to payment of the 2020 Bonds, and payments which were previously made under the Hoover Contract for Differences through 2017 constituted Operation and Maintenance Expenses of the Electric System and were payable prior to payment of Parity Obligations.

Renewable Energy Resources

As described under the caption "THE ELECTRIC SYSTEM—Renewable Energy Resources," the City has entered into power purchase agreements through SCPPA in connection with three renewable energy projects: (i) the Puente Hills Landfill Gas-to-Energy Project (the "**Puente Hills Landfill Project**"); (ii) the Astoria II Solar Photovoltaic Facility ("**Astoria II**"); and (iii) the Antelope Demand Side Response 1 Solar Project ("**Antelope 1**"). Payments under the PPTA constitute Operation and Maintenance Expenses of the Electric System and are payable prior to payment of the 2020 Bonds.

THE ELECTRIC SYSTEM

General

The City established its Electric System in 1933 through the acquisition of the existing electric distribution system within the City and the construction of a diesel generating station at Station A (located at 4990 Seville Avenue, Vernon, California) ("**Station A**"). The City operates the Electric System through its public utilities department (known as Vernon Public Utilities), with all revenues of the Electric System being credited to, and all expenses of the Electric System being payable from, the Light and Power Fund. The Electric System serves all electric users within the City.

In keeping with the character of the City, the Electric System serves primarily industrial customers. During Fiscal Year 2019, approximately 1,223 small industrial, 524 large industrial and 168 commercial, residential and other customers, supplied approximately 1,072.8 million kilowatt hours ("**kWhs**") of electric energy and had a peak demand of approximately 182.8 MWs. See the caption "ELECTRIC SYSTEM FINANCIAL INFORMATION—Retail Energy Sales."

The City's Electric System is comprised of generation, transmission, and distribution facilities and includes approximately 4,750 poles, 8 electric substations and a peak load of approximately 185 MWs, which was achieved in 2017.

The City's electricity supply is provided from the following sources: (i) the MGS, a combined cycle natural gas fired generating plant operating within the City (approximately 51% in Fiscal Year 2019); (ii) PVNGS (approximately 8% in Fiscal Year 2019); (iii) short-term contracts for a term of less than one year (approximately 23% in Fiscal Year 2019); (iv) renewable resources (approximately 15% in Fiscal Year 2019); and (v) other sources (approximately 3% in Fiscal Year 2019). See the caption "THE ELECTRIC SYSTEM—Power Supply Resources."

In order to comply with certain State mandates relating to renewable energy, the City expects that its supply of electricity from renewable resources will increase in the future. See the captions "THE CITY—Integrated Resource Plan," "—Renewable Energy Resources" and "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY."

City Plan to Optimize Resource Utilization

Before 2005, the City supplied only a modest portion of its customers' load requirements from its own generation resources. To serve its load, the Electric System relied first on a partial requirements wholesale power contract with the Southern California Edison Company ("**Edison**") and on a combination of wholesale power contracts. Due to changes in the State electric industry such as the now-abandoned deregulation of the California electric energy markets, unprecedented volatility of energy prices and the blackouts and power interruptions due to inadequate supplies of electric energy in 2000-2001, the City determined in the early 2000s that it was in the best interests of its primarily industrial customer base to establish a significant generation resource connected directly to the City's distribution system. The City developed the MGS, a 120 MW base load, 134 MW full load combined cycle electric generation plant located adjacent to Station A. The MGS was designed to provide approximately 60% of the City's then expected requirements for base load electric power. The MGS commenced commercial operation in October 2005 and, except for a period of equipment repair, has been operating as a base load generation resource for the City since such date. See the caption "**—Power Supply Resources—Malburg Generating Station.**"

Since 2004, the City had pursued an economic development program focusing on the acquisition of land within the City and the assembly of parcels which would be consistent with the requirements of prospective industrial customers. In addition, the City sought to continue providing municipal services to support both existing and new industrial businesses in the City, such as fire and police services, community health services and infrastructure improvements. As part of its economic development program, the City also studied options to optimize the benefits of the existing Electric System resources and alternatives for serving projected Electric System requirements in light of the then current state of, and anticipated developments in, the California electric markets.

After reviewing its portfolio of Electric System resources and the available alternatives in serving customer load, the City determined to sell virtually all of its major transmission assets and rely on the California transmission system controlled by the California Independent System Operator Corporation ("**CAISO**") to provide for transmission of energy imported into the City. When the City sold certain of its transmission assets, the City retained certain transmission entitlements associated with existing transmission service contracts, which were subsequently placed under the CAISO's operational control under a transmission control agreement. The City continues to receive revenues associated with such existing transmission service contracts. The City also determined that private ownership and operation of the MGS, with the City retaining the rights to the capacity and energy of the facility, provided the City with a resource base that was consistent with its original plan for significant local generation with less operational risk than City ownership, while affording the City an opportunity to fund a portion of its economic development program.

Accordingly, on April 10, 2008, pursuant to the Amended and Restated Purchase and Sale Agreement, dated as of December 13, 2007, between the City and Bicent (California) Power LLC ("**Bicent**"), an affiliate of Bicent Holdings and Natural Gas Partners, the City sold the MGS to Bicent in a cash transaction.

Bicent assigned its rights and obligations with respect to the MGS to its affiliate, Bicent (California) Malburg LLC, a Delaware limited liability company. BCP has sold the capacity and the energy of the MGS to the City pursuant to the PPTA. See the captions "**ELECTRIC SYSTEM OBLIGATIONS—Malburg Generating Station**" and "**—Power Supply Resources—Malburg Generating Station—Power Purchase Tolling Agreement.**" In addition, BCH, an affiliate of Bicent, has acquired the economic benefits and burdens of the City's interest in the Hoover Upgrading Project on the terms set forth in the previously outstanding Hoover Contract for Differences between BCH and the City. See the captions "**ELECTRIC SYSTEM OBLIGATIONS—Hoover Upgrading Project**" and "**—Power Supply Resources—Hoover Upgrading Project—Hoover Contract for Differences.**"

See the caption "**LITIGATION—Bicent Litigation**" for a discussion of litigation between the City and BCP.

In addition, pursuant to a Purchase and Sale Agreement, dated September 28, 2007 (the “**TANC Agreement**”), by and between the City and the Transmission Agency of Northern California (“**TANC**”), the City sold TANC its interest in the California Oregon Transmission Project. In a separate transaction, the City also sold its interest in the Mead-Adelanto Transmission Project and the Mead-Phoenix Transmission Project pursuant to a Purchase and Sale Agreement, dated December 13, 2007 (the “**Starwood Agreement**”), between the City and Starwood Energy Infrastructure Fund, L.P.

The proceeds from the sale of the Electric System assets described above were used to redeem all then-outstanding Electric System revenue bonds, provide funds for economic development in the City and increase the Electric System’s cash reserves. A portion of the proceeds of the sale of the Electric System assets were used to fund a portion of the debt service reserve requirement for the Authority Bonds relating to a supply of prepaid natural gas for the City. Such Authority Bonds were refunded with the proceeds of the 2009A Bonds. See the captions “THE CITY—Parity Obligations—2009A Bonds” and “ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements.” Approximately \$39.5 million of the proceeds of the Electric System assets allocated to reserves were applied to payments due under the PPTA during the first four years of the PPTA.

After the completion of the transmission facility sales described above, the City no longer receives Transmission Revenue Requirements relating to such assets. The City, as a participating transmission owner of the transmission entitlements under the CAISO’s operational control, continues to receive revenues associated with existing transmission service contracts with Edison and the Department of Water and Power of the City of Los Angeles (“**LADWP**”) subject to the related transmission service contracts.

As more fully described below, the Electric System continues to include ownership interests or capacity rights in other electric facilities and the ownership of the interconnection and distribution system within the boundaries of the City.

Power Supply Resources

General. The Electric System’s current power supply resources consist of: (i) the PPTA for the MGS; (ii) the PVNGS Contract with respect to a portion of SCPPA’s interest in PVNGS; (iii) the CES with Western with respect to the Hoover Upgrading Project; (iv) two 5.75 MW simple cycle gas turbine generating units (collectively, the “**H. Gonzales Generating Station**”) at Station A used for reserve purposes; and (v) three power purchase agreements entered into through SCPPA in connection with three renewable energy projects, as described under the caption “—Renewable Energy Resources.” See also the caption “ELECTRIC SYSTEM OBLIGATIONS.”

The PPTA, the PVNGS Contract, the CES, the H. Gonzales Generating Station and the three renewable energy projects described below are collectively referred to as the “**Committed Resources**.” For Fiscal Year 2019, the Committed Resources provided approximately 77% of the energy supplied by the Electric System to meet customer load. In addition to the Committed Resources, the City entered into short-term contracts to satisfy the remaining 23% of the load requirements of Electric System customers in Fiscal Year 2019.

The City routinely uses energy purchased through short-term contracts rather than energy from the MGS when such energy is available at a lower cost]. While the City expects to continue utilizing short-term contracts to satisfy load requirements which are not covered by its Committed Resources as and when necessary, the City may enter into long-term power purchase contracts (other than the Committed Resources) when the City determines that it is economically advantageous to do so or in connection with satisfying renewable energy portfolio requirements. See the caption “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.”

For Fiscal Year 2020, the City anticipates that the Committed Resources will provide approximately [__]% of the energy supplied by the Electric System in such Fiscal Year to meet customer load, while short-term contracts will provide approximately [__]% of the energy supplied by the Electric System in such Fiscal Year.

The power supply resources of the Electric System used to satisfy the load requirements of the Electric System's customers for the past five Fiscal Years are described in the following table.

CITY OF VERNON ELECTRIC SYSTEM
Resources Used to Satisfy City Load Requirements⁽¹⁾

	<i>Fiscal Year Ended June 30</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Short-Term Contracts⁽²⁾					
Actual Energy ⁽³⁾	249,188	322,002	197,441	247,788	259,643
Percentage of Total Energy	21.19%	27.69%	17.38%	21.98%	23.20%
Long-Term Contracts⁽⁴⁾					
Actual Energy ⁽³⁾	0	0	0	0	0
Percentage of Total Energy	0.00%	0.00%	0.00%	0.00%	0.00%
PVNGS					
Actual Energy ⁽³⁾	93,805	93,864	92,924	93,268	90,835
Percentage of Total Energy	7.98%	8.07%	8.18%	8.27%	8.12%
Hoover Upgrading Project					
Actual Energy ⁽³⁾	22,168	22,230	20,222	21,114	20,557
Percentage of Total Energy	1.88%	1.91%	1.78%	1.87%	1.84%
MGS/PPTA					
Actual Energy ⁽³⁾	810,601	724,711	732,594	575,439	575,379
Percentage of Total Energy	68.93%	62.31%	64.48%	51.04%	51.41%
City-Owned Generation⁽⁵⁾					
Actual Energy ⁽³⁾	266	174	1,023	3,390	4,141
Percentage of Total Energy	0.02%	0.01%	0.09%	0.30%	0.37%
Puente Hills Landfill Project					
Actual Energy ⁽³⁾	0	0	31,934	57,796	45,820
Percentage of Total Energy	0.00%	0.00%	2.81%	5.13%	4.09%
Astoria II					
Actual Energy ⁽³⁾	0	0	25,757	61,815	58,863
Percentage of Total Energy	0.00%	0.00%	2.27%	5.48%	5.26%
Antelope 1					
Actual Energy ⁽³⁾	0	0	34,344	66,860	63,976
Percentage of Total Energy	0.00%	0.00%	3.02%	5.93%	5.72%
City's Load Requirement					
Actual Energy ⁽³⁾	1,176,028	1,162,981	1,136,239	1,127,470	1,119,215
Percentage of Total Energy	100.00%	100.00%	100.00%	100.00%	100.00%

(1) Totals may not add due to rounding.

(2) Contracts for a term of less than one year and spot market purchases.

(3) In megawatt hours ("MWhs").

(4) Contracts, other than the contracts for the Committed Resources, with a term of one year or longer.

(5) Includes resources from the H. Gonzales Generating Station.

Source: City.

Malburg Generating Station.

Power Purchase Tolling Agreement. Pursuant to the PPTA with BCP, the City acquired all of the capacity and energy of the MGS for a fifteen year term that was originally scheduled to end in 2023.

[CONFIRM] [In 201[___], BCP elected to extend the term of the PPTA to 2028 in accordance with its rights under the PPTA.] The City serves as the dispatcher and Scheduling Coordinator for all energy and ancillary services from the MGS in accordance with the requirements of the CAISO tariff. See the caption “—General.” The City has the right to designate a portion of the MGS’ capacity and associated energy to provide resource adequacy for the Electric System and ancillary services.

The City pays a fixed capacity charge under the PPTA based on the per kilowatt demonstrated capacity of the MGS. The fixed capacity payments escalate over the term of the PPTA. The amount of MGS capacity on which the capacity payments are based is subject to periodic testing and adjustment. If the MGS is not available for specified hours during specified times of the year, the amount of the capacity payment will be reduced.

The City also pays a fixed amount (subject to escalation) under the PPTA for each MWh of electrical energy that is produced by the MGS. A change in the heat rate of MGS from the standards that are specified in the PPTA triggers an adjustment to the energy charge. If the heat rate improves, BCP will be entitled to additional payments from the City. If the heat rate deteriorates, the City will be entitled to payments from BCP.

The City is responsible for supplying the MGS with natural gas. The City initially intended to use the Gas Supply (as described under the caption “ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements”) to satisfy this requirement. However, since the sale of the MGS to Bicent in April 2008, the City has not used the Gas Supply as fuel for the MGS. The City entered into the Sale Contract to sell natural gas to SMUD in an amount equal to a portion of the Gas Supply remaining to be delivered less gas to be delivered to retail customers of the City. See the caption “ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements.” The Sale Contract with SMUD provides for payment in each month for the amount of gas delivered by the City under the Sale Contract in the previous month.

The City has been supplying the MGS with natural gas primarily through spot market purchases. The City continues to monitor the market for natural gas and may, in the future, enter into additional contracts for the purchase of natural gas for the MGS if the City determines that the terms of such contracts are beneficial to the City. In connection with its purchase of natural gas and capacity, transmission, transportation, grid management and extraordinary expenses related thereto, the City has established the Energy Cost Adjustment Billing Factor (the “ECABF”) to pass through to Electric System customers increased costs related to fuel. See the caption “—Electric Rates—Energy Cost Adjustment Billing Factor.”

To the extent that the City fails to provide sufficient natural gas for operation of the MGS, BCP will be excused under the PPTA from providing energy from the MGS in response to dispatch notices from the City. Except as otherwise provided in the PPTA with respect to scheduled outages and events of force majeure, in the event that a dispatch notice to deliver energy cannot be met by the MGS, BCP may provide substitute energy. The amount of substitute energy is limited by California law to 15% of the total contracted energy under the PPTA. In the event that BCP cannot satisfy a dispatch notice to provide energy either from MGS or with substitute energy, then BCP is obligated to pay the City the costs of replacement energy in accordance with the PPTA.

Except as agreed to by the City, scheduled outages in each contract year are limited to 336 hours (provided, however, that the facility may schedule a major overhaul every 20,000 equivalent operating hours, during which contract year scheduled outages shall not exceed 672 hours) and the time which is required to perform maintenance which is recommended by the manufacturer of the MGS’ turbines. Scheduled outages from June 1 through October 31 of each year are limited and may only be permitted with the consent of the City. BCP has covenanted in the PPTA to operate, inspect, maintain and repair the MGS in accordance with applicable law, required permits and good utility practices. See the subcaption “—Operation of MGS to Date.”

The PPTA provides that, in connection with the MGS, BCP shall comply with all legal, regulatory and industry standards applicable to owners and operators of generating facilities within the State. The PPTA also provides that BCP shall be responsible for all costs and charges relating to such compliance, except that the City is responsible for any fee for greenhouse gas (“GHG”) emissions, including the procurement of emission credits, which are attributable to the operation of the MGS and effective after April 10, 2008. See the caption “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” for more information on such standards.

A party’s obligation to perform pursuant to the PPTA, other than the obligation to make payments, will be suspended when such performance is prevented by an event of force majeure. If the party cannot resume performance within six months due to the event of force majeure, the other party may terminate the PPTA with no payment obligation other than for accrued amounts.

The PPTA limits the amount of BCP’s debts secured by a subordinated security interest in, or mortgage on, the MGS. The City has a security interest in and mortgage on the MGS to secure output amounts owed to the City under the PPTA. The City’s security interest and mortgage is subordinate to the security interest and mortgage granted by BCP to lenders in connection with its financing of the purchase of the MGS. Under the PPTA, BCP is to take the actions specified in the PPTA to maintain the City’s security interest in, and mortgage on, the MGS.

Events of default under the PPTA applicable to both parties include: (i) a failure to make a payment due thereunder within ten days of notice; (ii) a materially false or misleading representation or warranty; (iii) unexcused failure to perform a material covenant or obligation (other than those constituting a separate event of default) within fifteen days of notice; (iv) a bankruptcy event (as defined in the PPTA); and (v) a merger, transfer of assets or consolidation under which the surviving or transferee entity fails to assume obligations under the PPTA to the satisfaction of the other party.

Events of default under the PPTA with respect to BCP include: (1) unless otherwise excused under the PPTA, failure of the MGS to maintain capacity at specified a level for a specified time; (2) failure to provide required credit support; (3) the entry into a contract to sell capacity or energy of the MGS to an entity other than the City; and (4) the assignment of the PPTA in violation of its terms.

Upon the occurrence of an event of default, the non-defaulting party can designate an early termination date for the PPTA, provided that all events of default other than a failure to pay amounts due under the PPTA or a bankruptcy event requiring an opportunity to cure. If an early termination date for the PPTA is established, the defaulting party is to pay the other party its economic loss, if any, as a result of such termination, plus costs.

For a schedule of the payments that the City expects to make under the PPTA for the current and next four fiscal years, see the table in Note [10] under the heading “Power Purchase Commitments” in Vernon Public Utilities’ audited financial statements set forth in Appendix A. The City notes that the figures in such table show expected payment amounts net of the amortization of deferred gains.

Description of Facility. The MGS is a 120 MW base load/134 MW full load combined cycle, natural gas-fired, electric power plant located adjacent to Station A. The MGS achieved commercial operation in October 2005. The MGS includes two Siemens (formerly Alstom) GTXI00 natural gas-fired combustion turbine generators and a steam turbine generator. The MGS includes duct burners and evaporative inlet air coolers and filters to achieve higher levels of power output in selected modes of operation. The MGS is connected to the Electric System’s distribution facilities at the Vernon Substation, located at Station A.

Operation of MGS to Date. Prior to its sale in 2008, the City had been operating the MGS since commercial operation commenced in 2005. As described under the caption “City Plan to Optimize Resource Utilization,” the City has sold the MGS but retains the rights to the capacity and energy of the facility pursuant to the PPTA for a term which ends in 2028. In Fiscal Year 2019, the MGS provided 575,369

MWhs of energy to the City, comprising approximately 51% of the energy needed to satisfy the City's load requirements. The City expects that the MGS will provide approximately [____] MWhs of energy to the City in Fiscal Year 2020, or an estimated [____]% of the total needed to satisfy the City's load requirements.

SCPPA Palo Verde Nuclear Generating Station Interest.

General. PVNGS is located approximately 50 miles west of Phoenix, Arizona. PVNGS consists of three nuclear electric generating units (numbered 1, 2 and 3), with a net maximum capacity of 1,333 MWs (unit 1), 1,336 MWs (unit 2) and 1,334 MWs (unit 3) and a dependable capacity of 1,311 MWs (unit 1), 1,314 MWs (unit 2) and 1,312 MWs (unit 3). PVNGS' combined design capacity is 4,003 MWs and its combined dependable capacity is 3,937 MWs. Each PVNGS generating unit has been operating under 40-year Full-Power Operating Licenses granted by the Nuclear Regulatory Commission (the "NRC"). In April 2011, the NRC approved PVNGS' license renewal application, allowing the three units to extend operation for an additional 20 years until 2045, 2046 and 2047, respectively. The owners of PVNGS approved such extensions. Arizona Public Service Company ("APS") is the operating agent for PVNGS. SCPPA has informed the City that all other permits, licenses and approvals necessary to operate PVNGS have been secured.

SCPPA is a joint powers agency in which the City participates. SCPPA has a 5.91% ownership interest in the PVNGS. The City has a 4.90% generation entitlement interest in SCPPA's ownership share in PVNGS through the City's "take-or-pay" PVNGS Contract with SCPPA (totaling approximately 11 MWs of dependable capacity) and is obligated to pay 4.90% of SCPPA's costs associated with PVNGS, including operation and maintenance costs and debt service on SCPPA bonds issued for the project. Co-owners of PVNGS include APS, the Salt River Project Agricultural Improvement and Power District, a political subdivision of the state of Arizona, and the Salt River Valley Water Users' Association, a corporation (together, the "**Salt River Project**"), Edison, El Paso Electric Company, Public Service Company of New Mexico, SCPPA and the City of Los Angeles.

In Fiscal Year 2019, PVNGS provided 90,835 MWhs of energy to the City. See the caption "ELECTRIC SYSTEM OBLIGATIONS—Power Sales Contract with SCPPA for PVNGS" for a discussion of the City's costs in connection with PVNGS for Fiscal Year 2019. The City expects that PVNGS will provide approximately [____] MWhs of energy to the City in Fiscal Year 2020, or an estimated [____]% of the total needed to satisfy the City's load requirements.

Nuclear Regulatory Commission Initiatives. The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. Events at nuclear facilities of other operators or impacting the industry generally may lead the NRC to impose additional requirements and regulations on existing and new facilities. For instance, as a result of the March 2011 earthquake and tsunami that caused significant damage to the Fukushima Daiichi Nuclear Power Plant in Japan, various industry organizations developed action plans for American nuclear power plants and the NRC undertook an independent review of the events at Fukushima Daiichi, including a review of the agency's processes and regulations in order to determine whether the agency should promulgate additional regulations and possibly make more fundamental changes to the NRC's system of regulation.

On March 12, 2012, the NRC issued the first regulatory requirements for all 104 operating nuclear reactors located in the United States based on the task force evaluations. The NRC issued three orders that modify operating licenses by requiring the following safety enhancements: (1) mitigation strategies to respond to extreme natural events resulting in the loss of power at plants; (2) ensuring reliable hardened containment vents; and (3) enhancing spent fuel pool instrumentation. On January 4, 2013, the NRC issued guidance to enable U.S. nuclear power plant operators to perform seismic and flooding hazard assessments, which was undertaken at PVNGS in September 2014.

The NRC has required PVNGS to increase the redundancy in its power supply to emergency cooling systems, reinforce its spent fuel pool, accelerate the transfer of spent fuel from the pool to the dry cask storage,

and add pipelines and associated equipment necessary for supplying additional cooling water to the reactors. In response to such requirements, PVNGS has purchased additional diesel generators, pumps and fire trucks and has accelerated the movement of its spent fuel casks to the storage facility. In addition to these actions, PVNGS has allotted approximately \$122 million (of which the City is responsible for approximately \$350,000) for initiatives developed in response to the failure at the Fukushima Daiichi Nuclear Power Plant, including, among other things, fuel building modifications, an emergency equipment storage facility, temporary power connections, seismic and flood hazards validation and corresponding mitigating strategies. Additional NRC-mandated requirements are anticipated, but the costs associated with these future projects are unknown at this time.

In the event of noncompliance with its requirements, the NRC has the authority to impose monetary civil penalties or a progressively increased inspection regime that could ultimately result in the shut-down of a unit, or both, depending upon the NRC's assessment of the severity of the situation, until compliance is achieved. The increased costs resulting from penalties, a heightened level of scrutiny and implementation of plans to achieve compliance with NRC requirements may adversely affect the Electric System's financial condition, results of operations and cash flows.

Construction and Maintenance. PVNGS capital projects during the next 10 years are expected to include [UPDATE – THIS LIST IS FROM 2015] [a cyber security upgrade, a cooling tower life extension project, a generator excitation system upgrade, equipment replacement or upgrades such as reactor coolant pump motor replacements and generator stator rewinds, building upgrades] and other miscellaneous projects. The City estimates that it will be responsible for approximately \$[] million of the costs of such projects over this 10 year period.

[UPDATES?] *Decommissioning Costs.* The owners of PVNGS have created external trusts in accordance with the PVNGS participation agreement and NRC requirements to fund the costs of decommissioning PVNGS. Based on the most recent estimate of decommissioning costs, which uses the extended license expiration date of 2047 and is the most recent estimate available, the City estimates that its share of the amount required for decommissioning PVNGS relating to the City's interest in PVNGS through SCPPA is fully funded. SCPPA's share is \$175.5 million, of which the City's portion is \$[] million. Under the current funding plan, the City estimates that its share of the decommissioning costs relating to the City's interest in PVNGS through SCPPA will be fully funded by accumulated interest earnings by the extended license expiration date of 2047, assuming 6.8% per annum in future investment returns and a 6% per annum cost escalation factor. No assurance or guarantee can be given that investment earnings will be sufficient to fully fund the City's share of decommissioning costs relating to the City's interest in PVNGS. An updated study of decommissioning costs is expected to be undertaken in 2020.]

Nuclear Waste Storage and Disposal. Generally, federal and state efforts to provide adequate interim and long-term storage facilities for low-level and high-level nuclear waste have proven unsuccessful to date. Although federal and state efforts continue with respect to such storage and disposal facilities, the City is not able to predict the schedule for the permanent disposal of radioactive wastes generated at PVNGS. APS, which currently stores PVNGS spent nuclear fuel in on-site pools near the units, has advised the City (through SCPPA) that until a permanent repository for high-level nuclear waste developed by the federal government becomes available, additional on-site spent fuel storage is required by using dry casks similar to those currently used at other nuclear plants. Since the spent fuel pools ran out of storage capacity, an independent spent fuel storage installation was built to provide additional spent fuel storage at the site while awaiting permanent disposal at a federally developed facility. The installation uses dry cask storage and was designed to accept all spent fuel generated by PVNGS during its lifetime. As of June 30, 2019, over 152 casks, each containing 24 spent fuel assemblies, have been stored. If required, the on-site storage facility can be expanded from its current size to accommodate additional waste. APS estimates that the storage facility has sufficient storage capacity to store all low-level radioactive waste produced at PVNGS until the end of operation of PVNGS. Since the event at the Fukushima Daiichi nuclear power plant (described above under the subcaption "— Nuclear Regulatory Commission Initiatives," PVNGS embarked on a program to accelerate the transfer of

spent fuel from the spent fuel pools to the dry cask storage facility, thus reducing the heat load inside the spent fuel pools. Storage costs are partially paid using funds received by APS pursuant to a settlement agreement with the United States government relating to nuclear waste disposal fees.

APS ships all of its low-level radioactive waste to available disposal sites in Utah and South Carolina. In August 1995, a storage facility for low-level radioactive materials was opened at PVNGS to allow temporary on-site storage in case the disposal sites are not available. APS estimates that the storage facility has sufficient storage capacity to store all low-level radioactive waste produced at PVNGS until the end of operations. This on-site storage facility remains fully available.

Hoover Upgrading Project.

General. The Hoover Upgrading Project consists principally of the upgrading of the capacity of 17 generating units at the hydroelectric power plant (the “**Hoover Plant**”) of the Hoover Dam, located approximately 25 miles from Las Vegas, Nevada on the Colorado River. Modern insulation technology made it possible to “uprate” the nameplate capacity of the existing generators. The United States Bureau of Reclamation (the “**Bureau of Reclamation**”) owns and operates the Hoover Dam facility and Western markets the power from the facility. The Hoover Plant consists of 17 generating units and two service generating units with a total installed capacity of approximately 2,074 MWs.

Pursuant to the CES with Western, the City made an upfront payment for its share of the construction cost of the Hoover Upgrading Project, and is entitled to approximately 22 MWs of capacity (calculated based on 1.1% of 1,951 MWs of total contingent capacity) and 28,000 MWhs of associated energy annually from the Hoover Upgrading Project. The City is responsible for its share of the operating costs of the facility. [UPDATE] [As a result of the enactment of H.R. 470, “Hoover Power Allocation Act of 2011,” the City expects to be allocated such 22 MWs of total capacity through September 2067.]

Drought Conditions. Because of prolonged drought conditions that have resulted in record low Colorado River water levels, the City’s capacity entitlement at the Hoover Plant has been reduced from time to time. Recent drought conditions have resulted in lower water levels and are expected to result in a material adverse effect on the Hoover Plant’s capacity entitlement in the near future. According to its [____ 20__ 24-month study, the Bureau of Reclamation forecasts relatively stable water levels and Hoover Plant capacity, with the lowest point forecasted to occur in ____ 20__, with a total Hoover Plant capacity of __ MWs and a __% generating unit availability].

[UPDATES?] *Environmental Considerations.* The lower Colorado River has been included in a critical Habitat Designated Area. This required the Bureau of Reclamation to prepare and file with the United States Fish and Wildlife Service a Biological Assessment on the effect of its operations of the lower Colorado River on endangered species therein. After the Biological Assessment was filed, the United States Fish and Wildlife Service issued a Biological and Conference Opinion regarding the Bureau of Reclamation’s operations and outlined remedial actions to be taken to correct adverse effects to endangered species. Such remedial actions could affect the operation of the Hoover Plant, which would in turn affect Hoover Plant customers, including the City. The City believes that any impact on future operations will be minor; however there is a possibility that major remediation actions could have a material impact on the Hoover Plant customers’ available capacity from the Hoover Plant. The City’s entitlement with respect to the Hoover Plant accounts for less than 2% of the Electric System’s portfolio, and any impact on the Electric System’s operations is not expected to be significant. See the table entitled “Resources Used to Satisfy City Load Requirements” under the subcaption “—General” above.

Power Purchase Agreements.

Long-Term Power Contracts. Other than the contracts for the Committed Resources which are described herein, the City currently has no other long-term power contracts with a term of one year or longer.

Short-Term Power Contracts. The City expects to provide power for the Electric System's load requirements which are not met by the Committed Resources or from new long-term power purchase contracts through short-term power purchases. The cost of power under such contracts will vary depending on then-existing market conditions, which can be affected by a number of factors. For Fiscal Year 2019, such short-term power contracts accounted for a total of 259,643 MWhs of energy to the Electric System (approximately 23.20% of all energy which was used to satisfy the load requirements to the Electric System). For Fiscal Year 2020, short-term power contracts are projected to account for a total of [] MWhs of energy to the Electric System (approximately []% of all energy which will be use to satisfy the load requirements of the Electric System). The City can use short-term power contracts to meet its renewable energy resource obligations from time to time. See the caption "—Renewable Energy Resources."

Other Resources. As discussed under the caption "—Renewable Energy Resources," the City has entered into three power purchase agreements through SCPA in connection with three renewable energy projects. Such projects supplied approximately 15% of the City's energy requirements in Fiscal Year 2019.

Reserve Generating Facilities.

H. Gonzales Generating Station. The City owns the H. Gonzales Generating Station, which is located at Station A and consists of two gas turbine units. Each unit has a net capacity of 5.5 MWs. The two units are used for resource adequacy and bid into the ancillary services market. The City bids these units on a daily basis for dispatch by CAISO under the Market Redesign and Technology Upgrade ("MRTU") tariff amendment. Each of the units is restricted to run on natural gas for no more than six hours per day.

Renewable Energy Resources

In accordance with the California Renewable Energy Resources Act, which was enacted in 2011 as SBX 1-2 ("SBX 1-2"), the City was required to develop and implement a renewable energy resources plan which provides that a specified average of the Electric System's retail sales must be procured from eligible renewable energy resources. During the first compliance period (January 1, 2011 to December 31, 2013), an average of 20% of the Electric System's retail sales were required to be procured from eligible renewable energy resources. During the second compliance period (January 1, 2014 to December 31, 2016), the Electric System was obligated to make reasonable progress each year to ensure that it achieves 25% of retail sales from eligible renewable energy resources by December 31, 2016. During the third compliance period (January 1, 2017 to December 31, 2020), with the adoption of the regulations to enforce SBX 1-2 as described under the caption "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—California Climate Change Policy Developments—California Renewable Electric Standard", the California State Energy Resources and Conservation Development Commission, commonly known as the California Energy Commission (the "CEC") requires the Electric System to procure eligible renewable energy resources with 27% of its 2017 retail sales, 29% of its 2018 retail sales, 31% of its 2019 retail sales and 33% of its 2020 retail sales, with amounts increasing after 2020 as described under the caption "—Developments Affecting the Power Supply—Senate Bill 100 – 100 Percent Clean Energy Act of 2018." The main provisions of the applicable requirements relating to renewable energy resources are currently contained in SBX 1-2 and the California Global Warming Solutions Act.

In addition to the power purchase agreements which are described below, the City is currently meeting its obligation under SBX 1-2 to acquire energy from renewable sources by carrying over excess renewable power procurement from prior years, by purchasing renewable energy credits and by the use of short-term

contracts. See the caption “—Power Supply Resources—Power Purchase Agreements—Short-Term Power Contracts” above and the subcaption “—Renewable Energy Credits” below.

The City’s renewable power resource portfolio, as well as certain potential options for additional renewal power resources in the future, is described below.

Current Renewable Energy Resources.

Antelope Demand Side Response 1 Solar Project. Antelope 1 is a 50 MW solar project that was developed by Sustainable Power Group (“**sPower**”) and came online on January 1, 2017. Antelope 1 is located in the City of Lancaster in the northern area of the County. The City, through SCPPA, has an agreement with Antelope DSR 1 LLC (a subsidiary of sPower) that entitles the City to 50% of the capacity (25 MW nameplate) and output of the project through December 31, 2036. The City pays an all-in price for energy, capacity and environmental attributes of \$[53.75] per MWh over the term of the agreement.

In addition, the City and the City of Riverside (the other purchaser of the energy produced by Antelope 1) negotiated an energy storage option in the Antelope 1 PPA which provides for the potential design, building and operation of an energy storage facility, when economically feasible. [ANY UPDATE ON THIS?]

Astoria II Solar Photovoltaic Facility. Astoria II is a 175 MW solar project that came online in late 2016. Astoria II is located on approximately 840 acres in Kern County north of the City and interconnects with the CAISO system at Edison’s Whirlwind Substation. The City, in conjunction with five other SCPPA members, participates in a power purchase agreement with Recurrent Energy to purchase 75 MW of the output from Astoria II for 20 years. The power purchase agreement entitles the City to 20 MW of capacity from January 2017 to December 2021 and 30 MW for the remaining contract period of January 2022 to December 2036. [PRICE INFO AVAILABLE?]

Puente Hills Landfill Gas-to-Energy Project. The Puente Hills Landfill Project is a 46 MW conventional Rankine Cycle Steam Power Plant that uses landfill gas (“**LFG**”) as fuel to generate electricity. LFG is fired in the plant’s boilers, producing superheated steam which drives the turbine/generator to generate electric power. The Puente Hills Landfill Project is located in the eastern area of the County approximately 15 miles from the City. It was constructed by the County Sanitation Districts of Los Angeles County (“**LACSD**”) and began full commercial operation in January 1987.

On behalf of its members, SCPPA entered into a power purchase with LACSD for 43 MW of generating capacity from the Puente Hills Landfill Project. The City, through SCPPA, is entitled to 10 MW of renewable capacity from the Puente Hills Landfill Project. The power purchase agreement expires on December 31, 2030.

Contracts for Bio-Gas. To satisfy the initial SBX 1-2 requirements, the City contracted in 2012 for a 10-year supply of pipeline quality biomethane gas (referred to herein as bio-gas) with Element Markets Renewable Energy, LLC (later assigned to Element Markets RNG, LLC) (collectively, “**Element Markets**”) as fuel for the MGS as an alternative to natural gas. The City’s contracts with Element Markets included a bio-gas option agreement under which the parties may elect to waive the bio-gas delivery requirement, allowing the City to procure less expensive renewable energy from other suppliers. The City’s contracts with Element Markets also allow Element Markets to deliver replacement power in lieu of bio-gas. The City has exercised its option not to receive bio-gas deliveries and has been purchasing equivalent replacement power in lieu thereof from other renewable sources. The City’s contracts with Element Markets terminate in 2022.

Implementation of the contracts with Element Markets has been and is projected to be a cost effective option for adding renewable energy resources to the current Electric System portfolio in satisfaction of State requirements relating to renewable energy resources.

Renewable Energy Credits. The City also purchases renewable energy credits as a means of satisfying its SBX 1-2 obligations. In Fiscal Year 2019, the City purchased [] MWhs of such energy credits and, for Fiscal Year 2020, the City currently expects to purchase approximately [] MWhs of such energy credits.

Potential Renewable Energy Resources.

Wind Farms. In September 2008, the City purchased approximately 30,000 acres of land in Tehachapi, California (referred to as the Jaw Bone Area), for approximately \$42 million. A portion of such land adjoins two established wind-powered electric generating facilities, one of which is owned and operated by the LADWP and the other by NextEra (FPL). In February 2010, the City then sold approximately 13,000 acres of this land to NextEra (FPL) for approximately \$40 million and maintained certain transmission rights and easements on the land. The City currently continues to own and maintain two remaining sections called the East and West lands in the Jaw Bone Area. These two areas are on the east and west of the property sold to NextEra (FPL). These two areas comprise about 18,000 acres. The City continues to explore methods to monetize this land with or without outside developers and/or investors. The City believes the asset potential in such land is significant enough to warrant continued ownership for the foreseeable future, and the City is not at this time soliciting any offers to sell or lease such land. While the City does not anticipate using its own funds to develop renewable energy resources on the Jaw Bone Area land owned by the City, the City does anticipate that some renewable energy resources will be developed in the future to enable the City to recover some or all of its investment in the Tehachapi property and providing power from renewable resources for the Electric System's renewable power resource portfolio.

Desert Harvest / Maverick Solar Projects. The Desert Harvest and Maverick Solar Projects are solar projects with a combined capacity of 70 MW that were developed by Desert Harvest II, LLC ("**Desert Harvest**"). The projects are expected to come online in December 2020 and are located in Desert Center, an unincorporated area of Riverside County approximately 175 miles east of the City. The City, through SCPPA, has an agreement with Desert Harvest that entitles the City to 12 MW of output from either the Desert Harvest or the Maverick Solar Projects. The City Council has approved the agreement with Desert Harvest and the term of the agreement is expected to commence on December 1, 2020 and to continue through 2045. The City will pay [] over the term of the agreement.

Renewable Pass-Through Charge. The City has implemented a Renewable Energy Cost Adjustment Factor (the "**RECAF**"), which is added to its Electric System customer bills. The RECAF is intended to recover the costs of renewable energy resources in excess of non-renewable market power. See the caption "**—Electric Rates—Renewable Energy Cost Adjustment Factor.**"

Interconnection and Distribution Facilities

[UPDATES?] The Electric System is interconnected with the Edison system at the Laguna Bell substation. The City owns the facilities within the City limits for the interconnection of the Electric System with the Edison system and the distribution of electric power. The distribution facilities include approximately 30 miles of 66 kiloVolt ("**kV**") power lines (of which approximately 5% are underground), and approximately 125 miles of 7 kV power lines (of which approximately 15% are underground). The Electric System has eight active primary substations, three of which are dedicated customer substations and five are regular distribution substations. See the caption "**THE ELECTRIC SYSTEM—Capital Requirements**" for a description of anticipated capital improvements to the Electric System in the next five years.

Developments Affecting the Power Supply

The City relied on short-term (less than one year) power purchase contracts to provide approximately 23.20% of the energy delivered by the Electric System in Fiscal Year 2019. The City anticipates relying on new short-term power purchase contracts to provide for current load and any growth in its customer load which is not met by Committed Resources.

A number of actions have been taken by regulatory agencies which affect the amount of power that the City must have available in order to maintain resource adequacy and the nature of the electric resources which the City must include in its resource base. Certain elements of these actions are described below.

Resource Adequacy. In 2006, the CAISO filed with the Federal Energy Regulatory Commission (“FERC”) its MRTU tariff amendment to implement a comprehensive overhaul of the electricity markets administered by the CAISO. The programs under the MRTU initiative were designed to implement market improvements to assure grid reliability and more efficient and cost-effective use of resources and to create technology upgrades that would strengthen the entire CAISO computer system. The California energy market under the MRTU includes the following features, among others, which were not part of CAISO’s previous real-time only market tariff:

- An integrated forward market for energy, ancillary services and congestion management that operates on a day-ahead basis;
- Congestion management which represents all network transmission constraints;
- Congestion Revenue Rights to allow market participants to manage their costs of transmission congestion;
- Local energy prices by price nodes (approximately 3,000 nodes in total), also known as locational marginal pricing; and
- New market rules and penalties to prevent gaming and illegal manipulation of the market as well as modifications to certain existing market rules.

The MRTU became operational on April 1, 2009 and the initial MRTU tariff filed with FERC went into effect at that time. Power is scheduled on a nodal basis, rather than the previous zonal system. Furthermore, the MRTU incorporates the California Public Utilities Commission’s (“CPUC”) resource adequacy requirements to ensure that there are adequate energy resources in critical areas. The MRTU requires that all scheduling coordinators for all load-serving entities (“LSEs”), which include the City, meet standards concerning forward capacity and energy procurements to meet their load requirements.

In September 2005, the Governor signed into law Assembly Bill 380 (“AB 380”), which requires publicly-owned utilities to procure adequate resources to meet their peak demands and reserves. In October 2005, the CPUC issued a decision requiring that LSEs under its jurisdiction acquire capacity which is sufficient to serve their forecast retail customer load plus a 15-17% reserve margin. The MRTU tariff incorporates the CPUC’s resource adequacy requirements. The MRTU tariff imposes the CPUC’s resource adequacy requirements on LSEs that are not CPUC jurisdictional entities, such as the City.

The City has historically satisfied this reserve margin requirement through its power supply resources, and the City believes that it will continue to have sufficient power resources to satisfy the system capacity requirements as required by the MRTU and AB 380.

Senate Bill 350 – Clean Energy and Pollution Reduction Act of 2015. Senate Bill 350 (“SB 350”), which the Governor signed into law in 2015, consists of a multitude of requirements to meet clean energy

mandates. The primary elements that affect the City are: (i) the increase in the mandate of the State's renewable portfolio standard (the "**RPS**") to 50% by December 31, 2030; (ii) the doubling of energy efficiency savings by January 1, 2030; and (iii) the transformation of the CAISO into a regional organization. In addition, large municipal electric systems such as the City were required to adopt an IRP on or before January 1, 2019, and to update the plan at least once every five years. See the caption "THE CITY—Integrated Resource Plan" for a description of the City's IRP.

Senate Bill 100 – 100 Percent Clean Energy Act of 2018. Senate Bill 100 ("**SB 100**"), signed into law on September 10, 2018, increases the RPS goals of SBX 1-2 and one of the primary components of SB 350 by modifying the RPS percentage targets for certain compliance periods. The measure maintains the 33% RPS target by December 31, 2020, while the compliance periods following it changed to 44% by December 31, 2024, 52% by December 31, 2027 and 60% by December 31, 2030.

The CEC is required to establish appropriate multiyear compliance periods for all subsequent years after 2030 that will require municipally owned electric systems to procure not less than 60% of retail sales from renewable resources. It is expected that workshops, rulemakings and updated regulations will be implemented by the CEC to incorporate the SB 100 mandate in its RPS Eligibility Guidebook and RPS Enforcement Procedures. In addition, the City will need to include the increased requirements in its future IRP. The City and the Electric System will continue to monitor the outcome and impacts of any upcoming workshops and regulations in meeting the new requirements.

Assembly Bill 32 – Global Warming Solutions Act of 2006. Assembly Bill 32 ("**AB 32**"), which the Governor signed into law in 2006, requires that utilities reduce their GHG emissions to 1990 levels by the year 2020. In addition, Senate Bill 32 ("**SB 32**"), which the Governor signed into law in 2016, requires that statewide greenhouse gas emissions are reduced to 40% below 1990 levels by 2030.

AB 32 tasked the California Air Resources Board ("**CARB**") with developing regulations for GHG emissions that became effective January 1, 2012. Emission compliance obligations under the cap-and-trade regulation (the "**Program**") began on January 1, 2013. The Program was implemented in phases, with the first phase lasting from January 1, 2013 to December 31, 2014. This phase placed an emission cap on electricity generators, importers and large industrial sources emitting more than 25,000 metric tons of carbon dioxide-equivalent greenhouse gases per year. In 2015, the program expanded to cover emissions from transportation fuels, natural gas, propane and other fossil fuels.

The Program requires electric utilities to have GHG allowances on an annual basis to offset GHG emissions associated with generating electricity. CARB will provide a free allocation of GHG allowances to each electric utility to mitigate retail rate impacts. Thereafter, the utilities are likely to be required to purchase allowances through the auction or on the secondary market to offset their associated GHG emissions. Each allowance can be used for compliance purposes in the current year or carried over for use in future year compliance.

Any allowance not used for current year compliance or carried over for future use in compliance must be sold into the quarterly allowance auctions administered by CARB. Proceeds from the auctions must be used for the intended purposes specified in AB 32 that include but are not limited to procurement of renewable resources, energy efficiency and conservation programs and measures that provide clear GHG reduction benefits.

Assembly Bill 398 – GHG Cap-and-Trade Program Extension. Assembly Bill 398 ("**AB 398**"), which the Governor signed into law in 2017, extended the GHG cap-and-trade program to December 31, 2030. This bill was also a companion bill to Assembly Bill 617 ("**AB 617**"; see the subcaption "—Assembly Bill 617 – Air-Quality Monitoring"). [CONFIRM] [The City's free allocation of GHG allowances is expected to be sufficient to meet the City's direct GHG compliance obligations through 2030.]

Initially, it was unclear under AB 398 whether the Electric System would be required to consign 100% of its allowances to the market and then purchase allowances to fulfill its compliance obligations. In early 2018, CARB agreed that municipally owned utilities would not be compelled to consign all of their allocated allowances and that the structure would remain the same as it has functioned and currently functions. Other components of the law that require clarification are the banking provisions and the specific GHG revenue spending requirement for revenues generated from the sale of excess allowances. The Electric System will continue to monitor the outcome and impacts of the upcoming regulations on its service territory and ratepayers.

Assembly Bill 617 – Air Quality Monitoring. AB 617, which the Governor signed into law in 2017, was part of a legislative bill package with AB 398, which authorized the extension of the cap-and-trade Program in the State. See the subcaption “—Assembly Bill 398 – GHG Cap-and-Trade Program Extension.” AB 617 addresses the disproportionate impacts of air pollution in environmental justice communities. Both CARB and local air districts are required to take specific actions to reduce air pollution and toxic air contaminants from commercial and industrial sources, including from electricity-generating facilities. The bill required CARB to prepare a Statewide monitoring plan regarding technologies and reasons for monitoring air quality and, based on that plan, to identify the highest priority locations for the deployment of community level air monitoring systems. Local air districts were required to deploy the air monitoring systems in the specified communities by July 1, 2019. Additional locations for the deployment of the systems will be identified annually by CARB beginning in early 2020. CARB is also required to provide grants to community-based organizations for technical assistance and to support community participation in the programs. In turn, this effort requires local air districts to adopt a community emissions reduction program.

Additionally, AB 617 requires CARB to develop uniform reporting standards for air pollutants and toxic air contaminants for specific uses, including electricity-generating facilities. Air districts are to adopt an expedited schedule for implementing best available retrofit control technologies for the uses, while CARB will identify these technologies.

AB 617 imposes additional reporting requirements. For the City, the local air district is the Southern California Air Quality Management District (“SCAQMD”). CARB and SCAQMD have held and continue to hold community meetings to implement the required elements of AB 617. The City continues to monitor developments under AB 617.

Assembly Bill 2514 – Energy Storage. Assembly Bill 2514 (“AB 2514”), which the Governor signed into law on September 29, 2010, directs municipal electric utilities to consider setting targets for energy storage procurement but emphasizes that any such targets must be consistent with technological viability and cost effectiveness. The law’s main directives and their respective deadlines are to adopt an energy storage system procurement target by October 1, 2014, if determined to be appropriate, to be achieved by each utility by December 31, 2016, and a second target to be achieved by December 31, 2020. Municipal electric utilities were required to submit compliance reports to the CEC of their first adopted target by January 1, 2017[, which the City did]. The second adopted target compliance report is due to the CEC by January 1, 2021.

Energy storage (“ES”) has been advocated as an effective means for addressing the growing operational problems of integrating intermittent renewable resources, as well as contributing to other applications on and off the grid. In general, ES is a set of technologies which are capable of storing previously generated electric energy and releasing that energy at a later time. Currently, the commercially available ES technologies (or soon to be available technologies) consist of pumped hydroelectric generation, compressed air systems, batteries and thermal ES systems.

[ANY DEVELOPMENTS AT THE CITY ON THIS?]

Senate Bill 380 – Moratorium on Natural Gas Storage – Aliso Canyon. On October 23, 2015, a significant gas leak was discovered at the Aliso Canyon natural gas storage facility, which makes up 63% of

total storage capacity of Southern California Gas Company (“**SoCalGas**”) and serves 17 gas fired power generation units. On May 10, 2016, the Governor signed Senate Bill 380 in law, placing a moratorium on Aliso Canyon’s natural gas storage usage until rigorous tests were performed and completed by the Division of Oil, Gas, and Geothermal Resources (“**DOGGR**”) as to which wells could continue to be in operation. This moratorium caused great concern regarding the reliability of natural gas supplies in the upcoming summer and winter months. An action plan study area was initiated to review the summer and winter assessment that was conducted as a joint effort between the CPUC, CEC, CAISO and LADWP. Although the area of study neither includes nor immediately impact the City given the City’s purchases of natural gas from the MGS rather than from SoCalGas, it is highly plausible that the market for natural gas could be affected by curtailed gas deliveries under certain adverse low-flow gas scenarios.

Beginning June 1, 2016, SoCalGas implemented new Operational Flow Order (“**OFO**”) tariffs due to limitations surrounding Aliso Canyon storage injections and withdrawals. These tariff changes were put in place to reduce the probability of natural gas curtailments.

[UPDATES?] These tighter OFO tariff restrictions were scheduled to conclude upon the earlier of the return of Aliso Canyon to at least 450 million cubic feet per day (“**MMcfd**”) of injection capacity and 1,395 MMcfd of withdrawal capacity, or March 31, 2017. Aliso Canyon has not been able to meet its injection and withdrawal targets, and therefore, these tighter OFO tariff restrictions will continue to remain in effect.

On July 19, 2017, DOGGR issued a press release to the effect that, in concurrence with the CPUC, Aliso Canyon is safe to resume injections up to 28% of the facility’s maximum capacity. On that same day, the CEC issued a different press release with a recommendation urging closure of Aliso Canyon in the long-term. On July 31, 2017, SoCalGas resumed injections. Withdrawals from Aliso Canyon can be made during emergency conditions to avoid electric load shed and/or gas curtailments to customers.

[CONFIRM] [The Electric System has fulfilled its system reliability since the gas leak was discovered at the Aliso Canyon facility. The City will continue to monitor developments in this area, but does not expect curtailment of permitted withdrawals from the facility to have a significant effect on the Electric System’s ability to meet customer demand.]

Assembly Bill 802 – Building Energy Use Benchmarking and Public Disclosure Program. Assembly Bill 802 (“**AB 802**”), which the Governor signed into law in 2015, creates a new Statewide building energy use benchmarking and public disclosure program for the State of California. AB 802 requires electric utilities to maintain records of energy usage data for all buildings (i.e., commercial and multifamily buildings over 50,000 square feet gross floor area) for at least the most recent 12 months. Utilities are required to deliver or provide aggregated energy usage data for a covered building, as defined, to the owner, owner’s agent or operator upon written request. [CONFIRM] [The Electric System provides consumption data for buildings meeting the legislative requirement upon owners’ written request.]

Assembly Bill 1110 - Greenhouse Gas Emissions Intensity Reporting. Assembly Bill 1110 (“**AB 1110**”), which the Governor signed into law in 2016, requires GHG emissions intensity data and unbundled renewable energy credits to be included as part of retail suppliers’ power source disclosure reports and power content label (“**PCL**”) to their customers. GHG emissions intensity factors will need to be provided for all the retail electricity products. The inclusion of this new information requirement on the PCL will begin in 2020 for calendar year 2019 data. In addition to being required to post the PCL on the City’s website, AB 1110 also requires that PCL disclosures must be mailed to customers unless customers have opted for electronic notifications. [CONFIRM] [In accordance with this requirement, the City includes printed disclosures of the PCL to its customers.] The CEC is expected to release further regulations governing PCL disclosures in the near future.

Legislation Relating to Wildfires. Senate Bill 1028 (“**SB 1028**”), which was signed into law by the Governor in 2016, requires municipal electric utilities to construct, maintain and operate their electrical lines

and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. Senate Bill 901 (“**SB 901**”), which was signed into law by the Governor in 2018, addresses the response to, mitigation of and prevention of wildfires. SB 901 requires municipal electric utilities to prepare before January 1, 2020 and annually thereafter a wildfire mitigation plan. SB 901 further requires utilities to present their wildfire mitigation plan in an appropriately noticed public meeting, to accept comments on the plan from the public, other local and state agencies and interested parties and to verify that the plan complies with all applicable rules, regulations, and standards, as appropriate. SB 901 also requires the utilities to contract with a qualified independent evaluator to review and assess the comprehensiveness of its plan. The report of the independent evaluator is to be made available on the Internet and to be presented at a public meeting of the utilities’ governing boards.

While governing boards must independently make a wildfire determination based on all the relevant information, the CPUC’s Fire Threat Map is the most important piece of analysis in this process. The Fire Threat Map was adopted by the CPUC on January 19, 2018.

The bill does not address existing legal doctrine relating to utilities’ liability for wildfires; however, any future legislation that addresses the State’s inverse condemnation and “strict liability” issues for utilities in the context of wildfires in particular could be significant for the electric utility industry, including the City.

The City Council made the wildfire mitigation plan determination at the March 6, 2018 City Council meeting, determining that, because the City is not near a wildland-urban interface area and is not listed as a “community at risk” by the State Fire Marshal, the Electric System does not pose a risk of igniting a fire that could cause a wildfire.

Capital Requirements

In 2006, the City developed an Electric Distribution Master Plan (the “**Distribution Master Plan**”) for the Electric System which included a five-year capital improvement program for the Electric System’s distribution and interconnection facilities. The Distribution Master Plan categorized projects generally into safety, capacity, reliability, operability and street improvements, with most of the improvement projects designed for the maintenance and upgrading of facilities to serve existing load (the “**Maintenance Improvements**”) and the balance to serve new load (the “**Additional Improvements**”). Since the development of the Distribution Master Plan, the City has developed a capital improvement program for Fiscal Years 2012 through 2020. The program includes approximately \$38.4 million in capital improvements in Fiscal Years 2017 through 2020 of which approximately \$12.8 million is for Maintenance Improvements and \$25.6 million is for Additional Improvements. The City has expended \$[] of such amounts as of December 31, 2019.

The following table lists the expected annual capital requirements for the Electric System to be paid from amounts in the Light and Power Fund for Fiscal Years 2020 through 2023. Projects to be completed include substation transformer construction, upgrades, replacements and improvements and equipment purchases. [CONFIRM] [Other than the projects financed from proceeds of the 2020 Bonds (as discussed under the caption “THE 2020 PROJECT,” the City does not expect to finance any such capital requirements from the proceeds of Bonds.

<i>Fiscal Year Ending June 30</i>	<i>Capital Requirements from Light and Power Fund</i>
2020	\$ 9,275,000
2021	7,920,000
2022	7,575,000
2023	<u>4,800,000</u>
Total	\$29,570,000

Source: City.

Largest Customers

The Electric System’s 24 largest customers (by electricity usage) for Fiscal Year 2019 accounted for approximately 56% of the Electric System’s retail energy sales for such period. No single customer accounted for more than approximately 8.90% of the Electric System’s retail energy sales during such period.

Customer concentration presents a risk in that if one or more of the Electric System’s largest customers were to default on their payments for retail energy sales, or were to relocate their operations outside of the City or otherwise cease their operations in the City, such failure to pay, relocation of operations or ceasing of operations could have a material impact on the Electric System’s finances. No assurances can be given by the City that any such failure to pay, relocation or cessation of operations will not occur during the term of the 2020 Bonds.

The City believes that the risk that its largest customers will depart the City is low. As shown in the second column of the table below, many of the 24 largest customers of the Electric System have been in the City for decades. In addition, the City has a low vacancy rate of less than 2.5% (as of the fourth quarter of 2018, the latest period for which such information is available), and the City believes that other businesses would quickly fill any vacant spaces upon the departure of a large customer. See also the caption “—Electric Rates—Uncollectible Accounts” for historical information with respect to writeoffs of delinquent accounts.

The 24 largest customers of the Electric System in Fiscal Year 2019 are described in the below table.

CITY OF VERNON ELECTRIC SYSTEM
Largest Customers (Fiscal Year 2019)

	<i>Business Name</i>	<i>Years In Vernon</i>	<i>Type of Business</i>	<i>kWhs Purchased</i>	<i>Revenues</i>	<i>Percent of Revenues</i>
1.	CLOUGHERTY PACKING	74	Food Processing	65,094,568	\$13,972,688	8.90%
2.	MATHESON TRI GAS	12	Chemical Processing	112,938,628	12,162,439	7.75
3.	OWENS ILLINOIS INC	74	Container Packaging	99,951,867	11,424,407	7.28
4.	PABCO PAPER PRODUCTS	61	Building Materials	30,043,429	4,511,782	2.87
5.	REHRIG PACIFIC CO	45	Plastics	29,365,316	4,360,126	2.78
6.	OVERHILL FARMS INC	27	Food Processing	25,586,785	4,856,129	3.09
7.	CROWN POLY INC	20	Plastics	24,749,887	3,401,647	2.17
8.	COMMAND PACKAGING	23	Plastics	19,483,202	2,698,848	1.72
9.	PREFERRED FREEZER SERVICES	17	Cold Storage	17,701,338	2,690,021	1.71
10.	U S GROWERS COLD STORAGE	44	Cold Storage	14,924,292	1,746,354	1.11
11.	EXIDE TECHNOLOGIES DIP	53	Environmental Recycling	14,071,030	1,902,240	1.21
12.	GENERAL MILLS INC	37	Food Processing	13,512,239	2,176,592	1.39
13.	BAKER COMMODITIES	53	Environmental Recycling	13,398,929	2,136,500	1.36
14.	J & J SNACK FOODS CORP	23	Food Processing	12,730,927	1,908,303	1.22
15.	MILLENNIUM PRODUCTS INC	14	Food Processing	11,507,375	2,727,232	1.74
16.	THE UNION ICE COMPANY	13	Ice Manufacturing	10,764,532	1,660,369	1.06
17.	NORTON PACKAGING INC	15	Plastics	10,714,024	1,575,890	1.00
18.	CLW FOODS LLC	7	Food Processing	10,258,107	1,683,867	1.07
19.	GOLDEN WEST TRADING	9	Food Processing	9,656,609	1,686,790	1.07
20.	PACKAGING CORP OF AMERICA	20	Manufacturing	9,450,124	1,581,276	1.01
21.	7-UP BOTTLING CO	23	Food Processing	9,383,471	1,938,309	1.23
22.	ARCADIA INC	17	Building Materials	9,318,205	1,968,003	1.25
23.	CLOUGHERTY PACKING, LLC	74	Food Processing/Cold Storage	8,952,671	1,800,961	1.15
24.	CAMINO REAL FOODS INC	38	Food Processing	<u>8,732,966</u>	<u>1,743,243</u>	<u>1.11</u>
	TOTAL			592,290,521	\$88,314,015	56.00%

Source: City.

Electric Rates

General. The Electric System’s retail rates are established by the City Council and are not subject to regulation, review or approval by the CPUC or any other State or federal agency, although the CEC is authorized to evaluate electric rate policies in furtherance of State regulatory goals and to make recommendations to the Governor, the State Legislature and publicly owned electric utilities. The Electric System provides no free service.

Current rates are as follows:

<i>Rate Type</i>	<i>Rate</i>
<u>Domestic Customers</u>	
Customer Charge	\$3.35 per meter per month
Facilities Charge	\$0.25 per meter per month
Energy Charge	9.331 cents per kWh
<u>Large Industrial Customers</u>	
Customer Charge	\$25.14 per meter per month
Facilities Charge	\$3.56 per meter per month
Energy Charge	22.772 cents per kWh (May 1-October 31) / 21.178 cents (November 1-April 30) per kWh
<u>Small Industrial Customers⁽¹⁾</u>	
Customer Charge	\$23.41 per meter per month
Energy Charge	12.51 cents per kWh
Minimum Charge	\$236.88 per month

⁽¹⁾ Demand of less than 500 kW.

Source: City.

In addition to the above rates, customers pay: (1) a 3% surcharge for payments in lieu of tax and franchise payments; (2) a 2.85% public benefits surcharge under California Assembly Bill 1890 (“**AB 1890**”); (3) the ECABF (as discussed under the subcaption “—Energy Cost Adjustment Billing Factor”); (4) the RECAF (as discussed under the subcaption “—Renewable Energy Cost Adjustment Billing Factor”); and (5) the UUT, which is described in detail under the caption “SECURITY AND SOURCES OF PAYMENT—Transfers to General Fund.”

Separate rate schedules apply to: (i) street and highway lighting services based upon factors such as the strength of the lighting used, whether the billing is metered and ownership of the lighting equipment; and (ii) electricity used for agricultural or water pumping purposes.

In addition, in 2019, the City adopted increases in Electric System rates averaging approximately 0.8% in Fiscal Year 2020, 1.9% in Fiscal Year 2021, 4% in Fiscal Year 2022 and 4% in Fiscal Year 2023. The projected operating results set forth in this Official Statement assume that such adopted rate increases will be implemented as expected, as well as an additional rate increase averaging approximately [__]% in Fiscal Year 2024 which has not yet been approved by the City Council. See the caption “ELECTRIC SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage.”

Energy Cost Adjustment Billing Factor. In response to then-existing volatility in the cost of natural gas, the City in 2006 entered into the Supply Agreement with the Authority for the purchase of a supply of prepaid natural gas to be supplied to the Authority by the Supplier under the Purchase Agreement, which Purchase Agreement has been assigned from the Authority to the City. See the caption “ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements.” At that time, the City established a fuel cost adjustment billing

factor in connection with the cost of natural gas related to power generation and purchases, which was calculated and payable on a monthly basis based on customer consumption. The fuel cost adjustment billing factor did not address other costs to the City related to the purchase of fuel, including capacity, transmission, transportation, grid management and extraordinary expenses. Accordingly, in 2019, the City replaced the fuel cost adjustment billing factor with the ECABF. The ECABF is calculated each month based on the City's costs and added to all retail customer bills for the following month. The ECABF enables the City to recover the amounts that the City pays for natural gas and related capacity, transmission, transportation, grid management and extraordinary expense costs.

Renewable Energy Cost Adjustment Billing Factor. To provide for the payment of additional costs associated with satisfying renewable energy portfolio standards for the Electric System (including the cost of greenhouse gas allowances associated with power generation and implementation charges under AB 32 (as discussed under the caption “—Developments Affecting the Power Supply—Assembly Bill 32 – Global Warming Solutions Act of 2006”)), the City has approved the RECAF, which is calculated based on kWh billed and payable on a monthly basis. See the caption “—Renewable Energy Resources—Renewable Pass-Through Charge.” The RECAF went into effect on January 1, 2012 and was added to all retail customer bills based on electrical consumption, although the City did not levy any charges under the RECAF until 2013. The RECAF adds an amount to each retail bill to recover the excess of the cost the City pays for renewable energy (or substitutes therefor satisfying the City's obligations to provide energy from renewable resources such as renewable energy credits) over the cost of energy from non-renewable resources.

Average Price. The table below sets forth the average billing price per kWh for the Electric System's various customer classes for the periods indicated.

CITY OF VERNON ELECTRIC SYSTEM
Average Billing Price
(Cents per Kilowatt Hour)

	<i>Fiscal Year Ended June 30</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Residential	9.54	11.24	12.10	11.69	11.60
Small Industrial	14.55	15.50	15.92	16.36	16.57
Large Industrial	12.52	12.74	13.15	13.62	13.57
Other	17.83	18.73	19.07	20.45	19.66
Weighted Average	13.25	13.73	14.14	14.64	15.35

Source: City.

[UPDATES?] **Collection Procedures.** All electric bills are due and payable on the date of billing and become delinquent 20 days thereafter. Electric bills are consolidated with bills for water service. If payment is not received 20 days after billing, a second notice will be delivered and a \$10 fee will be assessed. If such bills remain unpaid on the 35th day after billing, a door hanger will be hand delivered to the service address and a \$10 final notice fee will be assessed. All electric services are subject to termination after 45 days (in accordance with applicable law) until all fees, charges, penalties and the entire delinquent balance have been paid. Fees associated with a delinquency include a \$26 returned check fee, a late charge equal to 5% of the outstanding balance and a reconnection fee of \$214.30.

Uncollectible Accounts. The City considers its writeoffs for uncollectible accounts to be low by electric utility industry standards for urban areas. The annual writeoffs for uncollectible accounts have been less than 0.2% for each of the last five Fiscal Years.

**CITY OF VERNON ELECTRIC SYSTEM
Uncollectible Accounts**

<i>Fiscal Year Ended June 30</i>	<i>Uncollectible Revenues</i>	<i>Percent of Gross Billings</i>
2015	\$121,058	0.1%
2016	394,564	0.2
2017	400,251	0.2
2018	385,404	0.2
2019	287,762	0.2

Source: City.

Seismic Activity and Other Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, earthquake, landslide, land subsidence, high winds, drought, fire or flood, could have an adverse material impact on the economy within the City, the Electric System and the revenues available for the payment of the 2020 Bonds. Portions of the Electric System may be at risk of damage or destruction from seismic activity. The City is not required to maintain earthquake insurance on Electric System facilities under the Indenture, and does not currently maintain such insurance. See the caption “THE CITY—City Insurance.”

The City is located in a seismically active region. Significant faults are located near the City, including the Newport-Inglewood Fault. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the City, including the Electric System. The City has an emergency response plan that would be implemented under such circumstances.

Newer Electric System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the City to be temporary, localized and reparable. The Electric System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. All facilities have been designed and constructed in compliance with the City’s construction standards.

The City believes that the risk of damage to the Electric System as a result of wildfires is very low. See the caption “—Developments Affecting the Power Supply—Legislation Relating to Wildfires.”

ELECTRIC SYSTEM FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements (the “**Financial Statements**”) of the City prepared by the City’s accountant, [Vasquez & Company LLP, Glendale, California] (the “**Auditor**”) is set forth in Appendix A. The Auditor’s letter dated [April 24, 2019] is set forth therein. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

The summary operating results that are contained under the caption “—Historical Water System Operating Results and Debt Service Coverage” are derived from the Financial Statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto.

The City accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities (“GAAP”). In certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the Financial Statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the City’s audited financial statements reflects the application of GAAP.

The Water System of the City is accounted for as within the Vernon Public Utilities Fund, a proprietary fund type (enterprise fund). In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are accounted for using the “economic resources” measurement focus and the 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 the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses include the cost of sales and services and administrative expenses. All expenses which do not meet this definition (other than depreciation, a non-cash item which is not reflected in this Official Statement) are reported as non-operating expenses.

Retail Energy Sales

The number of customers (based on meters), retail kWh sales and revenues derived from retail sales, by classification of service, and peak demand during each of the last five Fiscal Years are listed below. The City’s customer mix is primarily large and small industrial businesses, with large industrial customers (monthly demand over 500 KW) comprising approximately 62.3% and small industrial customers (monthly demand of 500 KW or less) comprising approximately 36.4% of the total revenues from retail sales for Fiscal Year 2019.

CITY OF VERNON ELECTRIC SYSTEM
Customers, Retail Sales, Revenues and Demand

	<i>Fiscal Years Ended June 30</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<i>Number of Customers:</i>					
Residential ⁽¹⁾	28	74	74	74	74
Small Industrial	1,205	1,210	1,210	1,218	1,223
Large Industrial	558	555	539	531	524
Other	<u>96</u>	<u>95</u>	<u>93</u>	<u>93</u>	<u>94</u>
<i>Total Customers</i> ⁽²⁾	1,887	1,934	1,916	1,916	1,915
<i>Kilowatt Hour Retail Sales (in Millions):</i>					
Residential	0.2	0.3	0.4	0.3	0.3
Small Industrial	379.1	380.8	371.4	379.6	375.9
Large Industrial	738.3	723.6	713.1	687.8	685.6
Other	<u>10.8</u>	<u>10.0</u>	<u>10.3</u>	<u>10.3</u>	<u>11.1</u>
<i>Total kWh Retail Sales</i>	1,128.4	1,114.7	1,095.2	1,078.0	1,072.8
<i>Revenues from Retail Sale of Energy (\$000's)</i>					
Residential	\$ 17	\$ 38	\$ 45	\$ 36	\$ 35
Small Industrial	55,164	59,013	59,123	62,112	62,278
Large Industrial	92,412	92,159	93,742	93,675	93,048
Other	<u>1,919</u>	<u>1,880</u>	<u>1,958</u>	<u>2,101</u>	<u>2,174</u>
<i>Total Revenues from Retail Sale of Energy</i> ⁽³⁾	\$149,512	\$153,090	\$154,869	\$157,923	\$157,535
<i>Peak Retail Demand (MWs)</i>	191.0	194.0	190.8	184.1	182.8

(1) Increase in Fiscal Year 2016 reflects construction of housing development within the City.

(2) Some businesses have more than one meter. The City considers each meter to be a customer.

(3) Excludes 2.85% AB 1890 public benefit surcharge pursuant to Section 385 of the California Public Utilities Code and ECABF, as well as the previously levied fuel cost adjustment billing factor. See the caption "THE ELECTRIC SYSTEM—Electric Rates—Energy Cost Adjustment Billing Factor."

Source: City.

Available Cash

As of January 31, 2020, the Electric System had approximately \$[] million in available cash reserves, including approximately \$[] million in reserves that are currently allocated to future capital projects but can be reallocated to other purposes in the City's discretion amounts and amounts on deposit in the Expense Stabilization Fund. See the caption "SECURITY AND SOURCES OF PAYMENT—Expense Stabilization Fund." This amount is equivalent to approximately [] days of Operation and Maintenance Expenses.

Summary of Operating Results

A summary of historical revenue, expenses, and debt service coverage for the City's Electric System for the last five Fiscal Years is shown in the following table. This summary was prepared by the City from information derived from its audited annual financial statements. The summary below presents the calculation of Net Revenues and Debt Service coverage based upon the flow of funds required under the Indenture and not in accordance with GAAP as used in the preparation of the City's financial statements for the Electric System. In accordance with the Indenture, depreciation, amortization and other non-cash items are not included in Operation and Maintenance Expenses.

CITY OF VERNON ELECTRIC SYSTEM
Historical Revenues, Expenses and Debt Service Coverage Under Indenture⁽¹⁾⁽²⁾

	<i>Fiscal Year Ended June 30</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Revenues					
Electric Sales—Retail	\$150,962,682	\$153,019,937	\$153,683,228	\$154,792,355	\$158,943,637
Fuel Cost Adjustment	1,531,421	230,264	1,016,141	1,204,680	4,708,658
VPU Credit ⁽³⁾	-	-	-	-	(7,505,248)
Transmission Revenue	1,707,056	2,571,606	2,645,901	2,844,994	2,401,176
Investment Income ⁽⁴⁾	748,989	280,456	332,982	1,151,127	1,532,262
Non-Recurring Income (Loss) ⁽⁵⁾	15,798,908	847,346	-	1,121,763	12,824
Withdrawal from/(Deposit to) Expense Stabilization Fund	(6,669,000)	(3,500,000)	2,400,000	9,300,000	7,400,000
RECAF ⁽⁶⁾	10,600,396	7,473,592	11,780,337	7,715,544	6,794,373
Other ⁽⁷⁾	<u>5,695,347</u>	<u>5,791,632</u>	<u>5,386,390</u>	<u>5,669,963</u>	<u>7,756,839</u>
Total Revenues	\$180,375,799	\$166,714,833	\$177,244,978	\$183,800,427	\$182,044,521
Operation and Maintenance Expenses					
Fuel ⁽⁸⁾	\$ 1,041,478	\$ 862,839	\$ 2,420,075	\$ 2,895,975	\$ 7,773,825
Renewable Energy ⁽⁹⁾	18,593,517	9,447,003	12,603,877	13,878,758	10,516,283
Energy ⁽¹⁰⁾	44,349,871	52,050,305	63,889,251	57,897,096	55,967,414
City Allocated Administrative Costs ⁽¹¹⁾	3,018,677	3,018,677	3,018,677	3,018,677	3,018,677
Other ⁽¹²⁾	<u>26,398,624</u>	<u>30,864,283</u>	<u>24,291,552</u>	<u>30,123,626</u>	<u>35,828,519</u>
Total Operation and Maintenance Expenses	\$ 93,402,167	\$ 96,243,107	\$106,223,431	\$107,814,133	\$113,104,719
Net Revenues Available for Debt Service⁽¹¹⁾	\$ 86,973,632	\$ 70,471,726	\$ 71,021,547	\$ 75,986,294	\$ 68,939,803
Debt Service	\$ 57,089,197	\$ 53,223,484	\$ 44,245,160	\$ 45,312,321	\$ 47,379,349
Debt Service Coverage Ratio	1.52	1.32	1.61	1.68	1.46
Debt Service Coverage Ratio (Excluding Withdrawals from/(Deposit to) Expense Stabilization Fund	1.64	1.39	1.55	1.47	1.30
Net Revenues Remaining After Debt Service	\$ 29,884,435	\$ 17,248,242	\$ 26,776,387	\$ 30,637,973	\$ 21,560,454

(1) Totals may not add due to rounding.

(2) Excludes depreciation, amortization and other non-cash items from Operation and Maintenance Expenses.

(3) Reflects a 5% credit to customers under a program to offset an increase in the City's user utility tax. The credit is expected to be reduced to 2% in Fiscal Year 2020 and discontinued thereafter.

(4) Does not include unrealized gain (loss) on investments or increase (decrease) in fair market value of investments. Investment income relating to the Authority is reflected in the Fuel line item.

(5) Includes legal settlement and sale of emission credits.

(6) See the caption "THE ELECTRIC SYSTEM—Electric Rates—Renewable Energy Cost Adjustment Billing Factor."

(7) Includes proceeds of 2.85% AB 1890 public benefit surcharge. See the caption "THE ELECTRIC SYSTEM—Electric Rates—General."

(8) Includes costs associated with natural gas purchased under the Supply Agreement. Increase in Fiscal Year 2019 reflects [___].

(9) Includes costs associated with renewable energy.

(10) Represents net energy purchases and wholesale sales and capacity sales (including the PPTA and Hoover Contract for Differences).

(11) Represents costs incurred by the City for City services benefitting the Electric System.

(12) Includes, among other things, transmission costs, grid management charges, ancillary services, FERC fees, maintenance service contracts and other Electric System administrative expenses.

(13) Reflects debt service on Parity Obligations, including net payments on previously outstanding interest rate swap transactions which were terminated in 2015.

Source: City of Vernon.

Projected Operating Results and Debt Service Coverage

Set forth below are the City's projections of Revenues, Operation and Maintenance Expenses and Debt Service coverage of the Electric System (calculated in accordance with the Indenture) for the current and next four Fiscal Years. The projected operating results are based on the City's load forecasts, its estimated costs of power and other operating and non-operating expenses. Except for actual expenses to date for the current Fiscal Year, the City has forecasted such other operating and non-operating expenses taking into consideration the Electric System's historical costs and trends, projected load growth and inflation. The summary below presents the calculation of Net Revenues and Debt Service coverage based upon the flow of

funds required under the Indenture and not in accordance with GAAP. In accordance with the Indenture, depreciation, amortization and other non-cash items are not included in Operation and Maintenance Expenses.

Certain assumptions have been made by the City in the development of the forecasts, including the assumptions which are set forth in the footnotes to the below table. Among the assumptions made by the City are the following:

1. [Economic activity by businesses within the City is assumed to remain constant].
2. [The ECABF included in customers' bills includes fuel costs and embedded energy costs of the City in excess of \$7.50, including certain costs associated with the Gas Supply Purchase Agreement].
3. [Renewable power costs in excess of market power will be included in customers' bill as a RECAF].
4. Renewable energy resources are assumed to serve [__]% of City load over the projection period at an estimated cost of \$[__] per MWh.
5. [Fuel costs are net of sales of gas sold under the Sale Contract. See the caption "ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements."]
6. [Fuel and energy cost forecasts are based upon published forward pricing for natural gas and SP-15 energy as of __ 20__.]

While the City believes that the above assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The City's projections may be affected (favorably or unfavorably) by unforeseen future events which could cause actual results to differ materially from those presented below. Therefore, the results projected in the following table cannot be assured.

CITY OF VERNON ELECTRIC SYSTEM
Projected Revenues, Expenses and Debt Service Coverage Under Indenture⁽¹⁾

	<i>Fiscal Year Ending June 30</i>				
	<i>2020⁽²⁾</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Revenues					
Electric Sales—Retail ⁽³⁾	\$176,843,831	\$180,314,540	\$177,723,263	\$184,154,359	\$190,813,954
ECABF ⁽⁴⁾	4,325,142	4,426,888	4,426,888	4,426,888	4,426,888
VPU Credit ⁽⁵⁾	(3,536,877)	-	-	-	-
Transmission Revenue ⁽⁶⁾	2,593,667	2,645,540	2,698,451	2,752,420	2,807,468
Investment Income ⁽⁷⁾	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Non-Recurring Income (Loss)	-	-	-	-	-
Withdrawal from/(Deposit to) Expense Stabilization Fund	2,000,000	-	-	-	-
RECAF ⁽⁸⁾	7,301,624	11,808,507	11,563,632	11,606,353	10,364,938
Other ⁽⁹⁾	<u>7,579,179</u>	<u>7,791,228</u>	<u>6,820,454</u>	<u>7,012,537</u>	<u>6,811,288</u>
Total Revenues	\$198,106,566	\$207,986,704	\$204,232,687	\$210,952,557	\$216,224,536
Operation and Maintenance Expenses					
Fuel ⁽¹⁰⁾	\$ 7,710,246	\$ 11,756,643	\$ 20,722,291	\$ 20,098,210	\$ 20,315,164
Renewable Energy ⁽¹¹⁾	10,801,624	11,081,590	10,955,838	12,015,856	12,414,791
Energy ⁽¹²⁾	73,675,280	73,770,355	73,340,650	75,279,233	75,551,370
City Allocated Administrative Costs ⁽¹³⁾	3,079,051	3,140,632	3,203,444	3,267,513	3,332,863
Other ⁽¹⁴⁾	<u>44,063,685</u>	<u>42,024,288</u>	<u>43,488,696</u>	<u>44,858,830</u>	<u>47,002,171</u>
Total Operation and Maintenance Expenses	\$139,329,886	\$141,773,509	\$151,710,919	\$155,519,642	\$158,616,360
Net Revenues Available for Debt Service	\$ 58,776,680	\$ 66,213,196	\$ 52,521,768	\$ 55,432,915	\$ 57,608,176
Debt Service^{(15)*}	\$ 42,703,025	\$ 46,844,856	\$ 40,966,086	\$ 41,713,999	\$ 41,716,568
Debt Service Coverage Ratio*	1.38	1.41	1.28	1.33	1.38
Debt Service Coverage Ratio (Excluding Withdrawals from/(Deposit to) Expense Stabilization Fund	1.33	1.41	1.28	1.33	1.38
Net Revenues Remaining After Debt Service*	\$ 16,073,655	\$ 19,368,340	\$ 11,555,683	\$ 13,718,916	\$ 15,891,608

(1) Totals may not add due to rounding.

(2) Reflects projected Fiscal Year 2020 results.

(3) Reflects adopted increases in Electric System rates averaging approximately 0.8% in Fiscal Year 2020, 1.9% in Fiscal Year 2021, 4% in Fiscal Year 2022 and 4% in Fiscal Year 2023. Also reflects an additional rate increase averaging approximately []% in Fiscal Year 2024 which has not yet been approved by the City Council. There can be no assurance that the City Council will implement the rate increase that is projected for Fiscal Year 2024 or that the City Council will not make further adjustments to rates that have currently been adopted.

(4) Previously called Fuel Cost Adjustment. Projected to increase by approximately 2.35% per annum in Fiscal Year 2021 and to remain constant thereafter. See the caption "THE ELECTRIC SYSTEM—Electric Rates—Energy Cost Adjustment Billing Factor."

(5) Reflects a 2% credit to customers under a program to offset an increase in the City's user utility tax. The credit is expected to be discontinued after Fiscal Year 2020.

(6) Projected to increase by approximately 2% per annum.

(7) Projected to remain constant at Fiscal Year 2020 amount.

(8) See the caption "THE ELECTRIC SYSTEM—Electric Rates—Renewable Energy Cost Adjustment Billing Factor." Increase in Fiscal Year 2021 reflects [].

(9) Includes proceeds of 2.85% AB 1890 public benefit surcharge. See the caption "THE ELECTRIC SYSTEM—Electric Rates—General." Reflects City projections.

(10) Increases reflect expiration of natural gas Purchase Agreement in Fiscal Year 2021. See the caption "ELECTRIC SYSTEM OBLIGATIONS—Gas Supply Agreements."

(11) Reflects City projections.

(12) Reflects City projections.

(13) Represents costs anticipated to be incurred by the City for City services benefitting the Electric System. Projected to increase by approximately 2% per annum.

(14) Includes, among other things, transmission costs, grid management charges, ancillary services, FERC fees, maintenance service contracts and other Electric System administrative expenses. Reflects City projections.

(15) Assumes the defeasance of the Bonds described under the caption "PLAN OF FINANCE—Refunding Plan" on or about the date of issuance of the 2020 Bonds.

Source: City.

* Preliminary, subject to change.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Federal Policy on Cybersecurity

On February 13, 2013, then-President Obama issued an Executive Order entitled “Improving Critical Infrastructure Security” (the “**Executive Order**”). Among other things, the Executive Order called for improved information sharing and processing of security clearances for owners and operators of critical infrastructure. The Executive Order further required the Secretary of Commerce to direct the National Institute of Standards and Technology (“**NIST**”) to lead the development of a framework (the “**Framework**”) to reduce cyber risks to critical infrastructure. NIST released the first version of the voluntary Framework on February 12, 2014. NIST has indicated that it intends for the Framework to continue to be updated and improved as the security industry provides feedback on implementation. NIST finalized the second version of the Framework in April 2018.

The Cybersecurity Information Sharing Act of 2015 was signed into law on December 18, 2015 as part of the year-end Omnibus Appropriations Act. It creates an industry-supported, voluntary cybersecurity information sharing program that will encourage both public and private sector entities to share cyber-related threat information.

Federal Energy Legislation

Energy Policy Act of 2005. Under the federal Energy Policy Act of 2005 (“**EPAct 2005**”), FERC was given refund authority over publicly owned utilities if they sell electrical energy into short-term markets, such as that controlled by the CAISO, and sell eight million MWhs or more of electric energy on an annual basis. In addition, FERC was given authority over the behavior of market participants. Under FERC’s authority, it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service. The Commodity Futures Trading Commission also has jurisdiction to enforce certain types of market manipulation or deception claims under the Commodity Exchange Act.

EPAct 2005 authorized FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPAct 2005 also required the creation of an electric reliability organization (an “**ERO**”) to establish and enforce, under FERC supervision, mandatory reliability standards (the “**Reliability Standards**”) to increase system reliability and minimize blackouts. Failure to comply with such Reliability Standards exposes a utility to significant fines and penalties by the ERO.

NERC Reliability Standards. As described above, EPAct 2005 required FERC to certify an ERO to develop mandatory and enforceable Reliability Standards, subject to FERC review and approval. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified the North American Electric Reliability Corporation (“**NERC**”) as the ERO. Many Reliability Standards have since been approved by FERC. Such standards pertain not only to the planning, operations and maintenance of Bulk-Power System facilities, but also to the cyber and physical security of certain critical facilities.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC (the “**Regional Entities**”) may enforce the Reliability Standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines of up to \$1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

Federal Regulation of Transmission Access

EPAct 2005 authorized FERC to compel “open access” to the transmission systems of certain utilities that are not generally regulated by FERC, including municipal utilities if the utility sells more than four million MWhs of electricity per year. Under open access, a transmission provider must allow all customers to use the system under standardized rates, terms and conditions of service.

FERC Order No. 888 requires the provision of open access transmission services on a nondiscriminatory basis by all “jurisdictional utilities” (which, by definition, does not include municipal entities like the City) by requiring all such utilities to file Open Access Transmission Tariffs (“OATTs”). Order No. 888 also requires “non-jurisdictional utilities” that purchase transmission services from a jurisdictional utility under an open access tariff and that own or control transmission facilities to provide open access service to the jurisdictional utility under terms that are comparable to the service that the non-jurisdictional utility provides to itself. Section 211A of EPAct 2005 authorizes, but does not require, FERC to order unregulated transmission utilities to provide transmission services. Specifically, FERC may require an unregulated transmitting utility to provide access to its transmission facilities: (1) at rates that are comparable to those that the unregulated transmitting utility charges to itself; and (2) on terms and conditions (not relating to rates) that are comparable to those under which the unregulated transmitting utility provides transmission services to itself which are not unduly discriminatory or preferential.

On February 16, 2007, FERC issued Order 890, which concluded that reform of its pro forma OATT was necessary to reduce the potential for undue discrimination and provide clarity in the obligations of transmission providers and customers. Significantly, in Order 890, FERC stated that it will implement its authority under Section 211A with respect to unregulated transmitting utilities on a case-by-case basis and retain the current reciprocity provisions.

On July 21, 2011, FERC issued Order 1000, which among other things requires public utility (jurisdictional) transmission providers to participate in a regional transmission planning process that produces a regional transmission plan and that incorporates a regional and inter-regional cost allocation methodology. Further, FERC stated that it has the authority to allocate costs to beneficiaries of transmission services, even in the absence of a contractual relationship between the owner of the transmission facilities and the beneficiary. Under EPAct 2005, FERC may not require municipal utilities to join regional transmission organizations, in which participating utilities allow an independent entity to oversee operation of the utilities’ transmission facilities. FERC has stated, however, that FERC expects such utilities to participate in the regional processes for transmission planning and that FERC will pursue associated complaints against such utilities on a case-by-case basis.

Other Federal Legislation

Congress has considered and is considering numerous bills addressing domestic energy policies and various environmental matters, including bills relating to energy supplies and development (such as a federal energy efficiency standard and expedited permitting for natural gas drilling projects), cybersecurity, reducing regulatory burdens, climate change and water quality. Many of these bills, if enacted into law, could have a material impact on the City and the electric utility industry generally. In light of the variety of issues affecting the utility sector, federal energy legislation in other areas such as reliability, transmission planning and cost allocation, operation of markets, environmental requirements and cybersecurity is also possible. The City is unable to predict the outcome or potential impacts of any possible legislation on the City at this time.

Environmental Issues

General. Electric utilities are subject to continuing environmental regulation. Federal, State and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards

and procedures. Consequently, there is no assurance that any Electric System facilities or projects will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. In addition, the election of new administrations, including the President of the United States, could impact substantially current environmental standards and regulations and other matters described herein. The inability to comply with environmental standards could result in, for example, additional capital expenditures, reduced operating levels or the shutdown of individual units which are not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

Greenhouse Gas Regulations Under the Clean Air Act. The United States Environmental Protection Agency (the “EPA”) has taken numerous steps to regulate GHG emissions under existing law. In 2009, the EPA issued a final “endangerment finding,” in which it declared that the weight of scientific evidence required a finding that six identified greenhouse gases, namely, carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride, cause global warming, and that global warming endangers the public health and welfare. The final rule for the “endangerment finding” was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA determined that it was authorized to issue regulations limiting carbon dioxide emissions from, among other things, motor vehicles and stationary sources, such as electric generating facilities, under the federal Clean Air Act. The EPA subsequently issued the “Tailoring Rule,” published in the Federal Register on June 3, 2010, which regulates greenhouse gas emissions from large stationary sources, including electric generating facilities, if the sources emit more than the specified threshold levels of tons per year of carbon dioxide. Under the Tailoring Rule, large sources with the potential to emit in excess of the applicable threshold were to be subject to the major source permitting requirements under the Clean Air Act, including the EPA’s Prevention of Significant Deterioration (“PSD”) permit program and its Title V operating permit program. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such permitting requirements include, but are not limited to, the application of Best Available Control Technology (“BACT”) for greenhouse gas emissions and monitoring, reporting and recordkeeping for greenhouse gases.

Legislation and joint disapproval resolutions were subsequently introduced in the United States Congress seeking to repeal the EPA’s endangerment finding or otherwise prevent the EPA from regulating greenhouse gases as air pollutants. The endangerment finding and the Tailoring Rule were also challenged in court, but were upheld on June 26, 2012 in a decision by the United States Court of Appeals for the District of Columbia Circuit (the “**D.C. Circuit Court**”) in *Coalition for Responsible Regulation, Inc., et al. v. EPA*. A petition for rehearing was denied on December 20, 2012. In October 2013, several petitions for review relating to these findings were consolidated in the United States Supreme Court (the “**U.S. Supreme Court**”) case *Utility Air Regulatory Group v. EPA*, dealing with the issue of whether the EPA permissibly determined that its regulation of GHG emissions from new motor vehicles triggered permitting requirements under the Clean Air Act for stationary sources that emit GHGs. On June 23, 2014, the U.S. Supreme Court issued its decision in the *Utility Air Regulatory Group v. EPA* case. In the decision, the U.S. Supreme Court invalidated substantial portions of the Tailoring Rule, which purported to modify the emissions thresholds set forth in the Clean Air Act (governing when PSD and Title V permitting would be triggered) to account for GHGs, while preserving various aspects of the EPA’s ability to regulate GHG emissions from most new major sources. The decision holds that, for facilities that are otherwise subject to PSD permitting obligations (by virtue of their emissions of conventional pollutants), the EPA may regulate GHGs from those facilities through the PSD BACT standards (without approving the EPA’s current approach to BACT regulation of GHGs, or any other approach that may be adopted).

On September 20, 2013, the EPA proposed establishing new source performance standards limiting carbon dioxide emissions from fossil-fuel fired electric generating units. The EPA stated that the proposed standards would apply only to new facilities, not reconstructed or modified facilities. A proposed rule for new power plants was published in the Federal Register on January 8, 2014 for public comment. At the close of the

comment period on May 9, 2014, the EPA had received approximately two million comments on the proposed rule.

On June 2, 2014, the EPA concurrently released both its “Clean Power Plan” proposal for existing power plants and its proposed revised standards for modified or reconstructed power plants. The proposed rules for existing, modified and reconstructed power plants were published in the Federal Register on June 18, 2014; comments on the proposed rules were accepted until December 1, 2014 and October 16, 2014, respectively.

On August 3, 2015, then-President Obama and the EPA announced the final version of the Clean Power Plan for existing power plants. The EPA further released its final new source performance standards for emissions of carbon dioxide for newly constructed, modified and reconstructed power plants. As discussed below, however, implementation of the Clean Power Plan is currently stayed and the EPA has issued a notice of proposed rulemaking that proposes to repeal the Clean Power Plan.

The final version of the Clean Power Plan was designed to reduce carbon dioxide emissions from the power sector by an average of 32% from a 2012 baseline nationwide by 2030. Under the final rule, the EPA would set different interim and final emissions targets for each state based on overall carbon dioxide emissions and the amount of electricity generated in the state and greater regional cooperation was encouraged. In addition, states were to have until September 2016 to design their state implementation plans to reach the emissions target or could request an extension until September 2018 either alone or in cooperation with other states while working on multi-state plans.

Under the Clean Power Plan, states could choose between two plan types in order to comply with the program: a source-based “emission standards” plan type, including source-specific requirements ensuring that all affected power plants within the state meet their required emissions performance rates or state-specific rate-based or mass-based goal, and a “state measures” plan type, including a mixture of measures implemented by the state, such as renewable energy standards and programs to improve residential energy efficiency, that would result in affected power plants meeting the state’s mass-based goal. In both cases, states would have to demonstrate that their plan would meet the carbon dioxide emission performance rates, the state rate-based goal or the state mass-based goal by 2030. Interim standards were to be phased in from 2022 to 2029 prior to the final standards being reached in 2030.

Progress toward meeting the target rates could be measured in one of three ways: (i) a rate-based state emissions goal measured in pounds per MWh; (ii) a mass-based state emissions goal measured in total short tons of carbon dioxide; and (iii) a mass-based state goal with a new source complement measured in total short tons of carbon dioxide. Under the rule, state emission targets could be met in a combination of ways, with emissions targets set based on three “building blocks” identified by the EPA as reflecting a “Best System of Emissions Reduction,” which could include improved efficiency at power plants, switching generation from higher-emitting coal to lower-emitting natural gas and shifting generation to zero-emitting renewable or nuclear energy. In the event that a state failed to develop a satisfactory implementation plan, the EPA could impose a federal implementation plan instead.

On August 2, 2016, California became the first state in the country to release to the public a draft of its state implementation plan. A public hearing on the draft state implementation plan was held by CARB on September 22, 2016. Under the draft state implementation plan for California, CARB used the “state measures” approach, applying the mass-based state emissions limit for the total affected power plants and proposed to use the state cap-and-trade program as its state measure. CARB has thus far adopted mandatory reporting regulation changes that would account for emissions reporting under the Clean Power Plan. See the caption “THE ELECTRIC SYSTEM—Developments Affecting the Power Supply—Assembly Bill 32 – Global Warming Solutions Act.”

Concurrently with the release of the final Clean Power Plan for existing power plants, on August 3, 2015, the EPA also released standards to limit carbon dioxide emissions from new, modified and reconstructed power plants. These new final carbon pollution standards would apply to: (i) any newly constructed fossil fuel-fired power plant that commenced construction on or after January 8, 2014; (ii) existing power plants subject to modification, which would include a physical or operational change that increased the source's maximum achievable hourly rate of emissions, which modification occurred on or after June 18, 2014; and (iii) reconstructed power plants, which would include any unit on which the replacement of components occurred on or after June 18, 2014 and to such an extent that the fixed capital costs of the new components exceeds 50% of the fixed capital costs that would be required to construct a comparable entirely new facility.

In the final standards, the EPA established separate standards for two types of fossil fuel-fired sources: (a) stationary combustion turbines, generally firing natural gas; and (b) electric utility steam generating units, generally firing coal. The new standards reflect the degree of emissions limitation achievable through the application of the "Best System of Emissions Reduction," that the EPA determined had been adequately demonstrated for each type of unit.

Under the final standards, new and reconstructed baseload natural gas-fired electricity generating units would be required to meet an emissions limit of 1,000 pounds of carbon dioxide per MWh. Non-base load units would need to meet a clean fuels input-based standard. New coal-fired facilities would be required to meet an emissions limit of 1,400 pounds of carbon dioxide per MWh-gross. Coal-fired electricity generating units subject to modifications resulting in an increase of hourly carbon dioxide emissions of more than 10% relative to the emissions of the most recent five years from that unit would be required to meet a unit-specific emission limit consistent with the unit's best historical annual carbon dioxide emissions rate since 2002. Such standard would be in the form of an emissions limit in pounds of carbon dioxide per MWh on a gross-output basis. Reconstructed coal-fired power plants with a heat input of greater than 2,000 MMBtus per hour would be required to meet an emissions limit of 1,800 pounds of carbon dioxide per MWh-gross. Smaller coal-fired units would be required to meet an emission limit of 2,000 pounds of carbon dioxide per MWh-gross. These emissions limits were based on the use of the most efficient generating technology at the affected source.

The final Clean Power Plan and the carbon pollution standards for new, modified and reconstructed power plants were to become effective on October 23, 2015; the carbon pollution standards for existing power plants became effective on December 22, 2015. A number of lawsuits were subsequently filed challenging the final rules and seeking to prevent the EPA from moving forward to implement the Clean Power Plan. On October 23, 2015, a group of 24 state attorneys general filed an action in the D.C. Circuit Court seeking a stay of the Clean Power Plan deadlines while its legality was reviewed by the courts. Additional legal and legislative challenges were filed and then consolidated into one case by the D.C. Circuit Court (*State of West Virginia, et al. v. EPA*). On January 21, 2016, the D.C. Circuit Court denied the request for stay of implementation of the Clean Power Plan and a number of applications for stay were made to the U.S. Supreme Court by parties challenging the Clean Power Plan. On February 9, 2016, the U.S. Supreme Court granted the emergency stay applications filed by opponents of the Clean Power Plan. The orders issued by the U.S. Supreme Court prevented the EPA from implementing the Clean Power Plan not only until the D.C. Circuit Court issued a judgment on its legality, but also until the U.S. Supreme Court reviewed an expected appeal of that ruling. Oral arguments in the case were heard on September 27, 2016 by a panel of ten judges serving on the D.C. Circuit Court; however, consideration is currently on hold at the request of the Trump Administration.

President Trump issued an Executive Order on March 28, 2017 that directed the EPA to review, revise or repeal the Clean Power Plan and other rules. The Justice Department filed two court motions to hold the litigation in abeyance while the EPA took action to rescind or revise the two rules. On October 10, 2017, the EPA issued a notice of proposed rulemaking that proposed to repeal the Clean Power Plan. The notice of proposed rulemaking was published in the Federal Register on October 16, 2017. On December 18, 2017, the EPA Administrator released an advance notice of proposed rulemaking seeking input on the best way, if any, to regulate power plant greenhouse gas emissions, initiating the formal process to explore a potential Clean Power Plan replacement. The advance notice of proposed rulemaking was published in the Federal Register on

December 28, 2017. The proposed repeal of the Clean Power Plan has been challenged by a number of attorneys general and certain environmental groups. On August 21, 2018, the EPA released its proposed “Affordable Clean Energy” rule that would replace the 2015 Clean Power Plan. It seeks to establish emission guidelines for states to develop plans to address emissions from existing coal-fired power plants by defining the “best system of emission reduction” as on-site, heat-rate efficiency improvements, providing states with a list of “candidate technologies” that could be used to establish performance standards, updating EPA’s New Source Review permitting program to incentivize efficiency improvements and existing plants and aligning Section 111(d) of the Clean Air Act with general implementing rules to provide states more time and additional flexibility to develop state plans.

The City is unable to predict at this time the outcome of any ongoing legal challenges to EPA rulemaking with respect to GHG emissions. Further, given the uncertainty regarding the status of the Clean Power Plan and ongoing review of the recently released proposed replacement rule, it is too early to determine the effect that any final rules promulgated by the EPA regulating GHG emissions from electric generating units will have on the Electric System.

Air Quality – National Ambient Air Quality Standards. The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“NAAQS”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the applicable standard and become an “attainment area.”

The EPA periodically reviews the NAAQS for various air pollutants and has in recent years increased, or proposed to increase, the stringency of the NAAQS for certain air pollutants. The EPA revised the NAAQS for particulate matter on December 14, 2012, the NAAQS for sulfur dioxide on June 22, 2010 and the NAAQS for nitrogen dioxide on February 9, 2010, and in each case made the NAAQS more stringent. Based on the revised standards for particulate matter, nitrogen dioxide and sulfur dioxide, some areas may be designated as non-attainment. On December 18, 2014, the EPA issued a final rule making initial area designations for the 2012 NAAQS for fine particulate matter (“**PM_{2.5}**”), designating 14 areas in six states as non-attainment, including areas of California. These PM_{2.5} designations became effective on April 15, 2015. These developments may result in stringent permitting processes for new sources of emissions and additional state restrictions on existing sources of emissions, such as power plants. On September 2, 2011, then-President Obama directed the EPA to withdraw a proposal advanced by the EPA to lower the NAAQS for ozone. As a result of this withdrawal, the EPA resumed the process of issuing non-attainment designations for the ozone NAAQS under the standard set in 2008.

On April 30, 2012, the EPA issued ozone non-attainment designations for certain areas in California. Additional non-attainment areas for ozone have been and may continue to be designated. On May 29, 2013, the EPA proposed a rule to implement the 2008 ozone NAAQS. While implementing the 2008 ozone NAAQS, the EPA continued its review of this standard. In January 2014, the EPA released draft risk and exposure assessment documents and a draft policy assessment document relating to this review. In addition, the U.S. Supreme Court found in its review of *EPA v. EME Homer City Generation, LP* that the EPA has authority to impose a cross-state air pollution rule which curbs air pollution emitted in upwind states to facilitate downwind attainment of three NAAQS.

On November 26, 2014, the EPA proposed to strengthen the stringency of the NAAQS for ozone by lowering the existing ozone standard of 75 parts per billion (“**ppb**”) to between 65 and 70 ppb, although the EPA also sought public comment on a standard as low as 60 ppb. On October 1, 2015, the EPA issued its final rule, lowering the ozone standard to 70 ppb. The final rule was to become effective on December 28, 2015; however, the Trump Administration delayed the designations. Legal challenges to the final rule have been filed by a number of states and industry groups. Parties to long-pending legal challenges (now a consolidated case) filed a joint motion before the D.C. appellate court on August 22, 2018, agreeing that the case (*Murray*

Energy Corporation v. EPA) should be scheduled for oral arguments and jointly proposed a format and time allocation for oral arguments. The litigation is pending.

Mercury and Air Toxics Standards. On December 16, 2011, the EPA signed a rule establishing new standards to reduce air pollution from coal- and oil-fired power plants under sections 111 (new source performance standards) and 112 (toxics program) of the Clean Air Act. The final rule was published in the Federal Register on February 16, 2012. The EPA updated the Mercury and Air Toxics Standards (the “MATS”) emission limits on November 30, 2012 and again on March 28, 2013. Under section 111 of the Clean Air Act, the MATS rule revised the standards that new and modified facilities, including coal- and oil-fired power plants, must meet for particulate matter, sulfur dioxide, and nitrogen oxide. Under section 112, the MATS set new toxics standards limiting emissions of heavy metals, including mercury, arsenic, chromium and nickel; and acid gases, including hydrochloric acid and hydrofluoric acid, from existing and new power plants larger than 25 MW that burn coal or oil. Power plants would have up to four years to meet these standards. While many plants already meet some or all of these revised standards, some plants would be required to install new equipment to meet the standards.

On November 25, 2014, the U.S. Supreme Court agreed to review the MATS following the filing of petitions for writ of certiorari from 23 states and industry groups. On June 29, 2015, the U.S. Supreme Court issued its decision in the case, finding that the EPA interpreted the Clean Air Act improperly because it did not consider the costs of emissions reductions prior to crafting the MATS and remanded the case back to the D.C. Circuit Court. On December 15, 2015, the D.C. Circuit Court determined to leave the MATS in place while it is being revised on remand as ordered by the U.S. Supreme Court. The EPA issued a final finding on April 14, 2016. In April 2017 the Trump Administration requested that the D.C. Circuit Court delay oral arguments that were to be held in May 2017 challenging the MATS.

Effluent Limitations Guidelines and Standards. On June 7, 2013, the EPA proposed to set technology-based effluent limitations guidelines and standards for metals and other pollutants in wastewater discharged from steam electric power plants. The proposal would cover wastewater associated with several types of equipment and processes, including flue gas desulfurization, fly ash, bottom ash, flue gas mercury control and gasification of fuels. The EPA considered best management practices for surface impoundments containing coal combustion residuals. The EPA proposed four preferred alternatives for regulating wastewater discharges. The stringency of controls, types of waste streams covered and the costs varied among the four alternatives. On September 30, 2015, the EPA announced its final Steam Electric Effluent Limitation Guidelines to update the federal limits on toxic metals in discharge wastewater.

On June 6, 2017, the Trump Administration announced that it was postponing certain compliance dates in the effluent limitation guidelines and standards for the new, more stringent steam electric point source category under the Clean Water Act until the EPA completes reconsideration of the 2015 Clean Power Plan, as discussed under the subcaption “—Greenhouse Gas Regulations Under the Clean Air Act.”

Electric and Magnetic Fields. A number of studies have been conducted regarding the potential long-term health effects of exposure to electric and magnetic fields created by high voltage transmission and distribution equipment. Additional studies are being conducted to determine the relationship between electric and magnetic fields and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the electric and magnetic fields concerns may have on electric utilities, including the Electric System.

Other Factors

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors that are discussed above, such factors include, among others: (a) effects of compliance with rapidly changing environmental, safety,

licensing, regulatory and legislative requirements other than those described above (including those affecting nuclear power plants or potential new energy storage requirements); (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy; (c) effects on the integration and reliability of power supply from the increased usage of renewables; (d) changes resulting from a national energy policy; (e) effects of competition from other electric utilities (including increased competition resulting from a movement to allow direct access or from mergers, acquisitions and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity; (f) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities; (g) increased competition from independent power producers and marketers, brokers and federal power marketing agencies; (h) “self-generation” or “distributed generation” (such as microturbines, fuel cells and solar installations) by industrial and commercial customers and others; (i) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations; (j) effects of inflation on the operating and maintenance costs of an electric utility and its facilities; (k) changes from projected future load requirements; (l) increases in costs and uncertain availability of capital; (m) shifts in the availability and relative costs of different fuels (including the cost of natural gas and nuclear fuel); (n) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in the past in California; (o) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity; (p) other legislative changes, voter initiatives, referenda and statewide propositions; (q) effects of the changes in the economy, population and demand of customers within a utility’s service area; (r) effects of possible manipulation of the electric markets; (s) acts of terrorism or cyber-terrorism; (t) natural disasters or other physical calamities, including, but not limited to, earthquakes, floods and wildfires, and potential liabilities of electric utilities in connection therewith; and (u) changes to the climate. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City is unable to predict what impact the above-described factors will have on the business operations and financial condition of the Electric System, but the impacts could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2020 Bonds should obtain and review such information. Such information is not incorporated herein by reference.

The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect its Electric System’s operations, including purchased power, and if such laws or rules are enacted, what the costs to the City might be in the future because of such action. The projected operating results which are set forth under caption “ELECTRIC SYSTEM FINANCIAL INFORMATION—Projected Operating Results” do not assume significant changes to the Electric System’s operations or operating costs.

CONSTITUTIONAL LIMITATIONS ON TAXES AND FEES

Articles XIIC and XIID of the State Constitution

Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution. Article XIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and “property-related” fees and charges. Property-related fees include many utility charges such as water rates but Article XIID explicitly exempts fees for the provision of electric service from its provisions. Nevertheless, Proposition 218 could indirectly affect

some municipally-owned electric utilities. For example, to the extent that Proposition 218 reduces a city's general fund revenues, that city could seek to increase the transfers from its electric utility to its general fund. For information on the Indenture provisions limiting the City's authority to transfer moneys from the Light and Power Fund to the General Fund, see the caption "SECURITY AND SOURCES OF PAYMENT—Transfers to General Fund" and the discussion of Proposition 26 below.

Article XIII C expressly extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments and fees and charges. The terms "fees and charges" are not defined in Article XIII C, although the State Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006), that the initiative power described in Article XIII C may apply to a broader category of fees and charges than the property-related fees and charges governed by Article XIII D. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that electric rates are subject to the initiative power. Thus, even electric service charges (which are expressly exempted from the provisions of Article XIII D) might be subject to the initiative provisions of Article XIII C, thereby subjecting such fees and charges imposed by the City to reduction by the electorate. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIII C or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner adversely affecting the payment of the 2020 Bonds by virtue of the "impairment of contracts clause" of the United States and State Constitutions.

Proposition 26 was approved by the voters of the State on November 2, 2010. Proposition 26 amended Articles XIII A and XIII C of the State Constitution to impose a two-thirds voter approval requirement for the imposition of certain fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures, such as Proposition 218, through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product." The City believes that the initiative is not intended to and would not apply to Electric System rates so long as such rates do not exceed the reasonable costs to the City of providing electric service; however, the City is unable to predict how Proposition 26 will be interpreted by the courts to apply to the provision of utility services by local governments such as the electric service provided by the Electric System.

In *Citizens for Fair REU Rates v. City of Redding*, the Court of Appeal of California, Third Appellate District, held, in an opinion filed January 20, 2015 and modified February 19, 2015, that a municipal utility's recurring budget transfer from its electric utility fund to its general fund, referred to therein as a payment in lieu of taxes, constitutes a tax under Proposition 26 unless it can be shown that the transferred amount reflects the reasonable costs borne by the city to provide governmental services to the electric utility. The City of Redding appealed the decision to the State Supreme Court, which reversed the judgment of the Court of Appeal on August 27, 2018. The State Supreme Court determined that the budgetary transfer from the City of Redding electric utility to its general fund is not the type of exaction that is subject to Article XIII C of the State Constitution. The State Supreme Court reasoned that it is only the City of Redding electric utility rate, not the payment in lieu of taxes, that is imposed on customers for electric service. The State Supreme Court concluded that because the total rate revenue of the electric utility was insufficient to cover the electric utility's uncontested operating expenses (other than the payment to the General Fund) in the years at issue, the challenged rate did not exceed the reasonable costs of providing electric service, and therefore did not constitute a tax.

The City annually transfers certain amounts from the Light and Power Fund to the City's General Fund as discussed under the caption "SECURITY AND SOURCES OF PAYMENT—Transfers to General Fund," and sets its rates and its budget with the expectation that certain transfers will be made to the City in

accordance with the restrictions that are set forth in the Indenture. In the event that General Fund transfers are further restricted, the City does not believe that any such further restrictions would have a material adverse effect on the financial position of the Electric System. However, any such further restrictions on transfers may cause the City to evaluate new strategies to generate revenues to fund services provided by the City.

Future Initiatives

Articles XIIC and XIID limited the ability of governmental agencies to increase certain fees and charges. Such articles were adopted pursuant to measures which qualified for the ballot pursuant to the State's Constitutional initiative process. While the City believes that Articles XIIC and XIID do not affect the Electric System's rates and charges so long as the rates do not exceed the reasonable costs to the City of providing the utility services, from time to time other initiative measures could be adopted by State voters. The adoption of any such initiatives might place limitations on the ability of the City and its Electric System to increase revenues.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2020 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2020 Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Chapman and Cutler LLP, and for the Trustee by its counsel.

LITIGATION

General

At the time of delivery of and payment for the 2020 Bonds, the City will certify substantially to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2020 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Indenture, or any action of the City 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 its authority with respect to the 2020 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

Bicent Litigation

The City and BCP are parties to the PPTA (as described in detail under the captions "ELECTRIC SYSTEM OBLIGATIONS—Malburg Generating Station" and "THE ELECTRIC SYSTEM—City Plan to Optimize Resource Utilization") and that certain Interconnection and Transmission Services Agreement, dated as of April 10, 2008 (as amended, the "ITSA"). On November 13, 2018, the City identified multiple events of default committed by BCP and related parties under the PPTA pertaining to the failure to timely conduct an Adjusted Contract Capacity Test and the failure to promptly make necessary repairs to equipment at the MGS. Subsequently, the parties exchanged voluminous correspondence, raising various claims against one another, and eventually delivered separate Notices of Default to each other.

On January 28, 2019, the City delivered its most recent Renewed Notice of Default, in which the City alleged the following breaches of contract and actionable torts committed by BCP and related parties: (1) improper billing (by approximately \$6 million at the time), giving rise to both PPTA breach claims and various

statutory claims; (2) failure to timely make repairs to MGS equipment and corresponding misrepresentations; (3) misrepresentation of available MGS electric capacity; and (4) failure to provide requested documentation. The City seeks compensatory and statutory treble damages together with termination of the PPTA. The preceding list of claims and remedies is not exclusive, and the City has reserved all rights to add or modify claims as facts and circumstances arise.

On March 14, 2019, in violation of the arbitration provision in the PPTA, BCP filed a complaint against the City in the Superior Court of California, County of Los Angeles (the “**State Court**”) (Case No. 19STCV08859), which sought, among other things, compensatory damages in the form of a termination payment under the PPTA in an unspecified amount (the “**BCP State Court Action**”). On March 22, 2019, the City removed BCP’s complaint to federal court (Case No. 2:19-CV-2178, U.S.D.C. C.D. Cal.) and, in its motion to compel arbitration of the PPTA claims, attached a draft arbitration demand that laid out the City’s allegations of fraud, misrepresentation, and breach of contract by BCP (the “**Federal Action**”). On June 7, 2019, the Federal Action was remanded to the State Court. On June 14, 2019, the City filed in the State Court a Petition to Compel Arbitration of the City’s Claims and for a stay of BCP’s State Court Action as to the PPTA claims (Case No. 19STCP02411) (the “**City State Court Petition**”). The State Court administratively consolidated the City State Court Petition and the BCP State Court Action, granted the City’s motion to compel arbitration of the parties claims under the PPTA against one another and, on October 1, 2019, appointed Thomas Brewer as the arbitrator for these disputes as well as the question of the arbitrability of the claims under the ITSA. After initial motion practice in which the arbitrator decided that BCP’s ITSA claims would also be arbitrated, the parties commenced discovery. An arbitration is scheduled to occur between April 13 and April 24, 2020 in Los Angeles, California.

If the PPTA is terminated as a result of the above-described litigation, the City believes that it has a variety of options to ensure a reliable power supply, including but not limited to purchasing wholesale power on the open market or by entering into new arrangements. The City believes that replacement power can be procured at prices that will be competitive with the charges it incurs under the PPTA. Accordingly, the City does not believe that termination of the PPTA would have an adverse financial impact upon the City or the Electric System.

The City’s IRP (as discussed under the caption “THE CITY—Integrated Resource Plan”) describes the City’s long-term power supply goals and plans, including past the scheduled expiration of the PPTA in 2028. The IRP does not assume that electricity supplied by the MGS will be part of the City’s energy portfolio after 2028. If the PPTA is terminated during or before 2028, the City believes that it may be able to accelerate the post-2028 power supply goals and plans set forth in the IRP. The City also believes that the addition of new renewable generating sources to electric markets in the State at relatively low prices will provide the City with an opportunity to procure cost-competitive replacement power from less carbon-intensive resources than its current portfolio.

During the pendency of the dispute, both the City and BCP have continued to perform under the PPTA.

There can be no assurance as to how the above-described matters will be resolved; however, assuming no delay of the scheduled arbitration hearing, a resolution of the dispute by way of an award from the arbitrator is likely by mid to late -May 2020.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax

imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020 Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2020 Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received with respect to the 2020 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020 Bonds might be affected as a result of such an audit of the 2020 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2020 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2020 BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2020 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS

REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2020 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the 2020 Bonds and the accrual or receipt of interest (and original issue discount) on the 2020 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020 Bonds.

Should interest (and original issue discount) on the 2020 Bonds become includable in gross income for federal income tax purposes, the 2020 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

RATINGS

The City expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), and Moody's Investors Service, Inc. ("Moody's") will assign the 2020 Bonds the ratings of "[_]" and "[_]", respectively. There is no assurance that any credit rating that is given to the 2020 Bonds will be maintained for any period of time or that a rating may not be lowered or withdrawn entirely by the applicable rating agency if, in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2020 Bonds. The ratings reflect only the views of S&P and Moody's, respectively, and an explanation of the significance of such ratings may be obtained from S&P or Moody's, as applicable. Generally, a rating agency bases its ratings on the information and materials that are furnished to it (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The City has covenanted in a Continuing Disclosure Agreement to file notices of any rating changes on the 2020 Bonds with EMMA. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2020 Bonds may be publicly available from the rating agencies prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2020 Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the 2020 Bonds after the initial issuance of the 2020 Bonds.

In providing a rating on the 2020 Bonds, S&P or Moody's may have performed independent calculations of debt service coverage ratios using their own internal formulas and methodology, which may not reflect the provisions of the Indenture. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with

any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

MUNICIPAL ADVISOR

The City has retained BLX Group LLC as municipal advisor (the “**Municipal Advisor**”) in connection with the issuance of the 2020 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The 2020 Bonds will be purchased by Goldman Sachs & Co. LLC (the “**Underwriter**”), pursuant to a purchase contract, dated the date hereof (the “**Purchase Contract**”), by and between the City and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2020 Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the 2020 Bonds, less an Underwriter’s discount of \$_____, plus/less a net original issue premium/discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the 2020 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they have received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement, dated as of March 1, 2020, by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the “**Dissemination Agent**”) for the benefit of the holders and Beneficial Owners of the 2020 Bonds to provide certain financial information and operating data relating to the City by not later than April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “**Annual Report**”), commencing on April 1, 2020 with the report for the Fiscal Year ended June 30, 2019 (provided that such first Annual Report may consist solely of this Official Statement), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have

been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the “**Rule**”).

[DISCLOSURE RE PRIOR COMPLIANCE TO COME].

To ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the Dissemination Agent to coordinate, on behalf of the City, the preparation and filing of Annual Reports by the City.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the 2020 Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2020 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF VERNON

By: _____
City Administrator

APPENDIX A
FINANCIAL STATEMENTS

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

MASTER INDENTURE

DEFINITIONS AND AUTHORITY

Definitions. Unless the context otherwise requires, the following terms, for all purposes of the Master Indenture and, unless otherwise provided therein with respect to such Supplemental Indenture or any Series of Bonds authorized by such Supplemental Indenture, any Supplemental Indenture, have the meanings set forth below:

“Accountant’s Certificate” means a certificate signed by an Independent Certified Public Accountant selected by the City.

“Accreted Value” means, with respect to any Capital Appreciation Obligation and as of any date, the Initial Amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate with respect to such Capital Appreciation Obligation specified in or pursuant to the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligation on each date specified therein. The applicable Accreted Value at any date will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, will be determined by straight-line interpolation with reference to such Accreted Value Table.

“Accreted Value Table” means, with respect to Capital Appreciation Obligations, the table denominated as such in, and to which reference is made in, the Issuing Instrument authorizing the issuance of such Capital Appreciation Obligations.

“Additional Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes set forth in the Indenture.

“Additional Parity Obligations” means Parity Obligations, including Additional Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture.

“Adjusted Debt Service” means, for any period of time, the Debt Service for such period minus the sum of the amount of such Debt Service with respect to Outstanding Parity Obligations to be paid during such period from the proceeds of Parity Obligations, Subordinate Obligations or other funds as set forth in a certificate of the City.

“Adjusted Net Revenues” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, for any Calculation Period, as calculated by the City or an Independent Engineer, the Adjusted Revenues for such Calculation Period less the Operation and Maintenance Expenses for such Calculation Period, plus at the option of the City, any or all of the following: (i) an allowance for any estimated increase in Revenues from any additions or improvements to or extensions of the Electric System, made but not in service during the applicable Calculation Period or to be made with the proceeds of any Additional Parity Obligations with respect to which such certificate relates, with the proceeds of other Obligations theretofore issued by the City and available for such purpose or with other available funds of the City reserved by the City for such purpose, such allowance to be in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions during the twelve month period after placing each such addition, improvement or extension in service, all as shown by a certificate of the City or an Independent Engineer; and (ii) an allowance for any increases in rates and charges for the Electric Service of the Electric System and which have been approved by the City Council but which during all or any part of the applicable Calculation Period were not in effect, such allowance to be in an amount equal to 75% of the amount by which the Revenues for the

applicable Calculation Period would have increased if such increase in rates and charges had been in effect for that portion of such Calculation Period during which such increase was not in effect.

“Adjusted Revenues” means, for any period of time, the Revenues for such period less the amount of such Revenues which have been deposited in the Expense Stabilization Fund during such period plus the amount of withdrawals during such period from the Expense Stabilization Fund.

“Advance Refunded Municipal Securities” means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state: (i) which are rated “Aaa” by Moody’s and “AAA” by S&P (provided, however, that if the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AAA” rated pre-refunded municipals to satisfy the foregoing condition); (ii) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee, fiscal agent or other fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or other obligations for redemption on the date or dates specified in such instructions; (iii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) of the definition of Defeasance Securities which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (ii) above, as appropriate; and (iv) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) of the definition of Defeasance Securities which have been deposited in such fund, along with any cash on deposit in such fund, have been verified by an Accountant’s Certificate as being sufficient to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (ii) above, as applicable.

“Aggregate Adjusted Annual Debt Service” means for any Fiscal Year the aggregate amount of Adjusted Debt Service on all Outstanding Parity Obligations payable in such Fiscal Year. For purposes of calculating Aggregate Adjusted Annual Debt Service, the determination of Debt Service on the Outstanding Parity Obligations coming due in each Fiscal Year will be subject to the Debt Service Adjustments and Assumptions.

“Applicable Parity Obligations” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture and as of the date of such certificate, all of the Parity Obligations Outstanding on such date plus the Additional Parity Obligations proposed to be issued.

“Authorized Denominations” means, with respect to Bonds of any Series, the denomination or denominations designated as such in the Supplemental Indenture authorizing such Bonds.

“Authorized City Representative” means the City Administrator of the City, and any other officer of the City duly authorized to act as an Authorized City Representative for purposes of the Indenture by the City Council or written authorization of the City Administrator of the City.

“Balloon Indebtedness” means, with respect to any Series of Obligations 25% or more of the principal of which matures on the same date or within a 12-month period (with Sinking Fund Installments on Term Obligations deemed to be payments of matured principal), that portion of such Series of Obligations which matures on such date or within such 12-month period. For purposes of the foregoing definition, the principal amount maturing on any date will be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Beneficial Owner” means, with respect any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

“Bond” means any of the City of Vernon Electric System Revenue Bonds authorized pursuant to the Indenture and a Supplemental Indenture.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the City.

“Bond Debt Service” means, for any period of time, the sum of: (i) the interest payable during such period on all Outstanding Bonds, assuming that all Outstanding Bonds which are Serial Obligations are retired as scheduled and that all Outstanding Bonds which are Term Obligations are redeemed or paid from Sinking Fund Installments as scheduled; (ii) that portion of the principal amount of all Outstanding Bonds which are Serial Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Bonds which are Capital Appreciation Obligations and Serial Obligations; and (iii) that portion of the principal amount of all Outstanding Bonds which are Term Obligations required to be redeemed or paid from Sinking Fund Installments during such period (together with the redemption premiums, if any, thereon).

“Bond Ordinance” means the City of Vernon Municipal Facilities Revenue Bond Law, enacted as Ordinance No. 1004 of the City (codified as Article XI of the City Code of the City of Vernon).

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the Indenture.

“Bondowner” or “Owner” means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

“Book-Entry Bonds” means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Budget” means, as of any date, the budget for the Electric System prepared by the City pursuant to the Indenture in effect as of such date.

“Business Day” means, with respect to each Series of Bonds, unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series, any day of the year other than: (i) a Saturday; (ii) a Sunday; (iii) any day which is in Los Angeles, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close; and (iv) any day on which the banks are authorized or required by law or other government action to close in the State of New York or State of California or any city in which the Principal Office of any Paying Agent or any Credit Provider for such Series of Bonds is located.

“Calculation Period” means, with respect to any certificate to be provided pursuant to the Indenture, any twelve consecutive month period within the eighteen consecutive months ending immediately prior to the issuance of the Additional Parity Obligations to which such certificate relates.

“Capital Appreciation Obligations” mean any Obligations the interest on which is compounded and not scheduled to be paid until the maturity or prior redemption of such Obligations.

“Capital Improvement” means, to the extent chargeable to a capital account of the Electric System, or otherwise eligible for amortization, under Generally Accepted Accounting Principles any land, improvement, facility, equipment and other property of any nature whatsoever which is used in the Electric System including but not limited to: (i) any addition, betterment, replacement, renewal, extension or improvement of or to the Electric System, including, without limitation, capacity rights in electric generation resources, rights to the transmission capability of electric transmission resources, acquisition of emission credits or other environmental assets for facilities of the Electric System, land or any interests therein; and (ii) capital costs for the extension, reinforcement, enlargement or other improvement of facilities or property, or the acquisition of interests therein, not included as part of the Electric System, determined by the City to be necessary or convenient in connection with the utilization of the Electric System.

“Charter” means the Charter of the City of Vernon.

“City” means the City of Vernon, California and its successors.

“City Administrative Code” means the Code of the City of Vernon.

“City Council” means the City Council of the City established pursuant to the Charter.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture will be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Collateral Requirement” means, with respect to a Qualified Swap Agreement, that such Qualified Swap Agreement includes provisions to the effect that: (i) if the counterparty’s (or, if applicable, the counterparty’s guarantor’s) ratings fall below “Aa” by Moody’s or “AA” by S&P, or are suspended or withdrawn, the counterparty will provide collateral in the form of cash or Defeasance Securities, or a combination thereof; (ii) the collateral is to be held by the City or a third party custodian acceptable to the City; (iii) the City has a perfected security interest in the collateral; (iv) the amount of the collateral is at least equal to 100% of the amount, if any, that the counterparty would be obligated to pay the City in the event of the early termination of the transactions under the Qualified Swap Agreement; (v) there may be deducted from the amount of the collateral a threshold amount of not more than \$1,000,000, except that if the counterparty’s (or, if applicable, the counterparty’s guarantor’s) ratings fall below “A” by Moody’s or “A” by S&P, or are suspended or withdrawn, the threshold amount will be zero; and (vi) the amount of the required collateral and the value of the collateral posted will be valued no less frequently than monthly.

“Commercial Paper Program” means a program of short-term Obligations having the characteristics of commercial paper in that such Obligations have a stated maturity not later than 270 days from their date of issue and that maturing Obligations of such program may be paid with the proceeds of renewal short-term Obligations.

“Cost” means, with respect to any Capital Improvement, to the extent permitted under the Bond Ordinance, all costs and expenses of planning, designing, acquiring, constructing, installing and financing such Capital Improvement, placing such Capital Improvement in operation, disposal of such Capital Improvement, and obtaining governmental approvals, certificates, permits and licenses with respect to the applicable Capital Improvement paid or incurred by the City. Payment of Cost does include the reimbursement to the City for any of the costs included in the definition of Cost paid by the City and not previously reimbursed to the City and which are not to be reimbursed from contributions in aid of construction. The term Cost includes, but is not limited to: (i) costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, and the securing of regulatory approvals, as well as costs for land and land rights, engineering and contractors’ fees, labor, materials, equipment, utility services and supplies, legal fees and financing expenses; (ii) working capital and reserves therefor in such amounts as determined by the City; (iii) interest accruing in whole or in part on Parity Obligations prior to and during the acquisition, construction and installation of a Capital Improvement, or any portion thereof, and for such additional period as the City may determine; (iv) the deposit or deposits from the proceeds of the Bonds in any funds or accounts required by the Indenture or any Supplemental Indenture; (v) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption or otherwise) of any note or other evidence of indebtedness the proceeds of which were applied to any of the costs of the applicable Capital Improvement or Capital Asset described in the definition of Cost; (vi) training and testing costs which are properly allocable to the acquisition, placing in operation, or construction of a Capital Improvement; (vii) all costs of insurance applicable to the period of acquisition of the Capital Asset and the acquisition, construction, installation and placing the Capital Improvement in operation; (viii) all costs relating to injury and damage claims arising out of the acquisition, construction, installation and placing the Capital Improvement in operation less proceeds of insurance; (ix) legally required or permitted federal, state and local taxes and payments in lieu of taxes applicable to the acquisition, construction, installation and placing the Capital Improvement in operation, or any portion thereof; (x) amounts due the United States of America as rebate of investment earnings with respect to the proceeds of Parity Obligations the proceeds of which were applied, in whole or in part, to the Capital Improvement or as penalties in lieu thereof; (xi) amounts payable with respect to capital costs for the expansion, reinforcement, enlargement or other improvement of facilities, whether or not such facilities constitute a part of the Electric System, determined by the City to be necessary in connection with the utilization of the

applicable Capital Improvement and the costs associated with the removal from service or reductions in service of any facilities as a result of the expansion, reinforcement, enlargement or other improvement of such facilities or the acquisition, construction, installation or placing in service of the Capital Improvement; (xii) Costs of Issuance of any Parity Obligations the proceeds of which were applied, in whole or in part, to the Capital Improvement; (xiii) fees and expenses pursuant to any lending or credit facility or agreement applicable to the period of the acquisition, construction, installation and placing in operation the Capital Improvement; and (xiv) to the extent chargeable to a capital account of the Electric System under Generally Accepted Accounting Principles, all other costs incurred by the City, properly allocable to the acquisition, construction, or installation of the Capital Improvement, or any portion thereof, or the placing of the Capital Improvement or any portion thereof in operation.

“Costs of Issuance” means, to the extent permitted by the Bond Ordinance, all items of expense directly or indirectly payable by or reimbursable to the City and related to the original authorization, execution, sale and delivery of Parity Obligations, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Parity Obligations, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Parity Obligations and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of Parity Obligations.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Parity Obligations.

“Credit Provider Bonds” means any Bonds paid as to principal, Redemption Price, Purchase Price and/or interest with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

“Credit Provider Reimbursement Obligations” means obligations of the City to pay from the Net Revenues and amounts in the Light and Power Fund (other than the Operating Reserve) available for such payment in accordance with the Indenture amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Parity Obligations and the interest with respect thereto.

“Credit Support Agreement” means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the City and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the City by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Parity Obligations but does not include a Reserve Financial Guaranty.

“Debt Service” means, for any period of time, the sum of: (i) the interest payable during such period on all Outstanding Parity Obligations, assuming that all Outstanding Serial Parity Obligations are retired as scheduled and that all Outstanding Term Parity Obligations are redeemed or paid from Sinking Fund Installments as scheduled; (ii) that portion of the principal amount of all Outstanding Serial Parity Obligations maturing on each principal payment date during such period, including the Final Compounded Amount of any Capital Appreciation Obligations; and (iii) that portion of the principal amount of all Outstanding Term Parity Obligations required to be redeemed or paid from Sinking Fund Installments becoming due during such period (together with the premiums, if any, thereon).

“Debt Service Adjustments and Assumptions” means, for purposes of determining Aggregate Adjusted Annual Debt Service and Maximum Adjusted Annual Debt Service, the following adjustments and assumptions to be made with respect to Debt Service: (i) in determining the amount of Debt Service constituting principal due in each Fiscal Year, principal payments with respect to Parity Obligations which are or upon issuance will be, part of a Commercial Paper Program, but which would not constitute Balloon Indebtedness, will be treated as if such Parity Obligations were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date the calculation of Aggregate Adjusted Annual Debt Service or Maximum Adjusted Annual Debt Service is made; (ii) if all or any portion or portions of the Parity Obligations constitute, or upon issuance would constitute, Balloon Indebtedness, then, for purposes of determining Aggregate Adjusted Annual Debt Service and Maximum Adjusted Annual Debt Service, each maturity which constitutes, or upon issuance would constitute, Balloon Indebtedness will be treated as if it were to be amortized with substantially level annual Debt Service payments over a term of 40 years commencing on the date which is the first anniversary of the initial issuance of such Parity Obligations; (iii) if any Outstanding Parity Obligations constitute Tax-Exempt Variable Rate Indebtedness (except to the extent clause (vii) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established will be assumed to be the ten year historical average of the SIFMA Index ending with the week preceding the date of calculation; (iv) if any Outstanding Parity Obligations constitute Variable Rate Indebtedness which is not Tax-Exempt (except to the extent clause (vii) applies), the interest rate on such Parity Obligations for any period as to which such interest rate has not been established will be assumed to be the ten year historical average of the One Month USD LIBOR Rate ending with the month preceding the date the calculation of Aggregate Adjusted Annual Debt Service or Maximum Adjusted Annual Debt Service is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City; (v) if the Parity Obligations proposed to be issued will be Tax-Exempt Variable Rate Indebtedness (except to the extent clause (viii) applies), then the interest rate on such Parity Obligations will be assumed to be the ten year historical average of the SIFMA Index ending with the week preceding the date the calculation of Aggregate Adjusted Annual Debt Service or Maximum Adjusted Annual Debt Service is made; (vi) if the Parity Obligations proposed to be issued will be Variable Rate Indebtedness which is not Tax-Exempt (except to the extent clause (viii) applies) then the interest rate on such Parity Obligations will be assumed to be the ten year historical average of the One Month USD LIBOR Rate ending with the month preceding the date the calculation is made, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City; (vii) if a Qualified Swap Agreement has been entered into in connection with any Outstanding Parity Obligations, the interest rate on such Outstanding Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged by the parties under such Qualified Swap Agreement will be determined for purposes of calculating Aggregate Adjusted Annual Debt Service and Maximum Adjusted Annual Debt Service by adding: (1) the amount of Debt Service paid or to be paid by the City as interest on the Outstanding Parity Obligations during such Fiscal Year or portion thereof (determined as provided in clauses (iii) or (iv), as applicable, if such Outstanding Parity Obligations constitute Variable Rate Indebtedness); and (2) the net amount (which may be a negative amount) paid or to be paid by the City under the Qualified Swap Agreement (after giving effect to payments made and received, and to be made and received, by the City under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for such purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement will be deemed to be the rate at which the related Outstanding Parity Obligations constituting Variable Rate Indebtedness is assumed to bear interest; (viii) if a Qualified Swap Agreement has been entered into, or upon issuance of such Parity Obligation will be entered into, by the City with respect to any Parity Obligations proposed to be issued, the interest on such proposed Parity Obligations for each Fiscal Year or portion thereof during which payments are to be exchanged under the Qualified Swap Agreement will be determined for purposes of calculating Aggregate Adjusted Annual Debt Service and Maximum Adjusted Annual Debt Service by adding: (1) the amount of Debt Service to be paid by the City as interest on such Parity Obligations during such Fiscal Year or portion thereof (determined as provided in clauses (v) or (vi), as applicable, if such Parity Obligations are to constitute Variable Rate Indebtedness); and (2) the net amount (which may be a negative amount) to be paid by the City under the Qualified Swap Agreement (after giving effect to payments to be made and received by the City under the Qualified Swap Agreement) during such Fiscal Year or portion thereof, and for such purpose any variable rate of interest agreed to be paid under the Qualified Swap Agreement will be deemed to be the rate at which the related Parity Obligations which are to constitute Variable Rate Indebtedness will be assumed to bear interest; and (ix) if any of the Parity Obligations are, or upon issuance will be, Paired Obligations, the interest thereon will be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations.

“Debt Service Fund” means the City of Vernon Electric System Debt Service Fund established pursuant to the Indenture.

“Debt Service Reserve Fund” means the City of Vernon Electric System Debt Service Reserve Fund established pursuant to the Indenture.

“Debt Service Reserve Requirement” means, as of any date of calculation, an amount equal to the least of: (i) 10% of the initial offering price to the public of the Bonds as determined under the Code; or (ii) the greatest amount of Bond Debt Service in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which any Bond is due; or (iii) 125% of the sum of the Bond Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the execution and delivery of any Bonds) and terminating with the last Fiscal Year in which any Bond Debt Service is due, divided by the number of such Fiscal Years, all as computed and determined by the City and specified in writing to the Trustee; provided, however that in determining Bond Debt Service with respect to any Bonds that constitute Variable Rate Indebtedness, the interest rate on such Bonds for any period as to which such interest rate has not been established will be assumed to be: (1) with respect to Bonds which are Tax-Exempt, the ten year historical average of the SIFMA Index ending with the week preceding the date of calculation; and (2) with respect to Bonds which are not Tax-Exempt, the ten year historical average of the One Month USD LIBOR Rate ending with the month preceding the date the calculation is made or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City.

“Debt Service Reserve Valuation Date” means the Business Day preceding each July 1, commencing July 1, 2009.

“Defeasance Securities” means any of the following securities, if and to the extent the same are at the time legal investments for funds of the City: (i) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs)); (ii) Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself; (iii) Resolution Funding Corporation obligations (“REFCORP”) (only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable); (iv) Obligations issued by the following agencies which are backed by the full faith and credit of the United States: a. U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership; c. Farmers Home Administration (FmHA); c. Federal Financing Bank; d. General Services Administration Participation Certificates; e. U.S. Maritime Administration Guaranteed Title XI financing; f. U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures – U.S. government guaranteed debentures and U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds; and (v) Advance Refunded Municipal Securities.

“Depository” means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the applicable provisions of the Indenture.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC include any Nominee of DTC in whose name any Bond is registered.

“Electric Service” means the services, commodities and products furnished, made available or provided by the Electric System.

“Electric System” means the electrical energy generation, transmission and distribution system of the City established pursuant to Ordinance No. 1022 of the City (codified as Section 2.91 of the City Administrative Code) and referred to in the City Administrative Code as the Vernon Electric System, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other facilities properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all

additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof, and any additional contract rights for electricity or the transmission thereof, later acquired.

“Event of Default” means an event described as such in the Indenture.

“Electronic” means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

“Escrow Agent” means the Trustee or a bank or trust company organized under the laws of any state of the United States, or a national banking association, appointed by the City to hold in trust moneys set aside for the payment or redemption of, or interest installments on, a Bond or Bonds, or any portion thereof, deemed paid and defeased pursuant to the Indenture.

“Expense Stabilization Fund” means the City of Vernon Electric System Expense Stabilization Fund established pursuant to the Indenture.

“Event of Bankruptcy” means any of the following with respect to any Person: (i) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (ii) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (iii) such Person admits in writing its inability to pay its debts generally as they become due; (iv) a receiver, trustee, custodian or liquidator of such Person or such Person’s assets are appointed in any proceeding brought against the Person or such Person’s assets; (v) assignment of assets by such person for the benefit of its creditors; or (vi) the entry by such Person into an agreement of composition with its creditors.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action does not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as specified in the provisions of the Master Indenture or the Supplemental Indenture requiring such an opinion.

“Federal Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as the same may be amended and supplemented, and any successor statute.

“Fiduciary” means the Trustee and any Paying Agent for Bonds appointed as provided in the Indenture.

“Final Compounded Amount” means the Accreted Value of any Capital Appreciation Obligation on its maturity date.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

“Franchise Payment” means the payment in lieu of franchise tax added to each Electric System customer bill to be paid to the City’s General Fund and any successor or replacement payment.

“Fund” means each of the funds established under the Indenture.

“Generally Accepted Accounting Principles” means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by

a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Indenture” means, the Master Indenture, as supplemented and amended from time to time by Supplemental Indentures.

“Independent Certified Public Accountant” means a Person who is: (i) a certified public accountant, or a firm of certified public accountants; (ii) appointed by the City to perform acts, prepare certificates or otherwise carry out the duties provided for an Independent Certified Public Accountant in the Master Indenture or any Supplemental Indenture; (iii) independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants; (iv) of recognized standing with respect to accounting matters for municipally-owned electric utilities; and (v) licensed to practice in the State of California.

“Independent Engineer” means a Person who is: (i) a consulting engineer, or a firm of consulting engineers; (ii) appointed by the City to perform acts, prepare certificates or otherwise carry out the duties provided for an Independent Engineer in the Master Indenture or any Supplemental Indenture; (iii) of national recognized standing with respect to engineering matters for electric utilities; and (iv) licensed to practice in the State of California.

“Information Services” means any of the following services which has been designated in a certificate of the City delivered to the Trustee: Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or such other services providing information with respect to called bonds as the City may designate in a certificate of the City delivered to the Trustee.

“Initial Amount” means the Accreted Value of a Capital Appreciation Obligation on its date of issuance and delivery to the original purchaser thereof.

“Interest Account” means the account by that name in the Debt Service Fund established pursuant to the Indenture.

“Interest Payment Date” means, with respect to a Series of Bonds, each date on which interest on Bonds of such Series is scheduled to be paid as set forth in, or determined in accordance with, the Supplemental Indenture authorizing the issuance of such Series.

“Issuing Instrument” means any, indenture, trust agreement or other instrument or agreement under which Obligations are issued.

“Light and Power Fund” means the Light and Power Department Fund established pursuant to Ordinance No. 950 of the City (codified as Section 2.65 of the City Administrative Code) and includes any successor or replacement fund established by the City for the collection of revenues and the payment of expenses of the Electric System.

“Master Indenture” means the Indenture of Trust, dated as of September 1, 2008 between the City and the Trustee, as the provisions thereof may be modified or amended from time to time in accordance with the Indenture.

“Maximum Adjusted Annual Debt Service” means, with respect to a certificate to be delivered in connection with Additional Parity Obligations pursuant to the Indenture, as of any date and with respect to the Applicable Parity Obligations, the maximum amount of Adjusted Debt Service becoming due on the Applicable Parity Obligations in the then current or any future Fiscal Year, as adjusted as provided in the Indenture and calculated by the City or by an Independent Engineer. For purposes of calculating Maximum Adjusted Annual Debt Service, the determination of Debt Service on the Applicable Parity Obligations coming due in each Fiscal Year will be subject to the Debt Service Adjustments and Assumptions.

“Moody’s” means Moody’s Investors Service, Inc. and any successor entity rating Parity Obligations at the request of the City.

“Net Payment” means with respect to a Qualified Swap Agreement, the amount payable by the City on each scheduled payment date under such Qualified Swap Agreement net of the amounts payable by the counterparty under such Qualified Swap Agreement on such scheduled payment date.

“Net Revenues” mean, for any period of time, the Revenues for such period less the Operation and Maintenance Expenses for such period.

“Net Transferable Income” means, with respect to any Fiscal Year, the Net Revenues for such Fiscal Year less the Debt Service for such Fiscal Year.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee will be Cede & Co., as the nominee of DTC.

“Obligations” means: (i) obligations with respect to borrowed money and includes bonds, notes or other evidences of indebtedness, installment purchase payments under any contract, and lease payments under any financing or capital lease (determined to be such in accordance with Generally Accepted Accounting Principles), which are payable from the Net Revenues and/or amounts in the Light and Power Fund; (ii) obligations to replenish any debt service reserve fund with respect to obligations of the City described in clause (i) above; (iii) obligations under any Public Finance Contract payable from the Net Revenues and/or amounts in the Light and Power Fund; and (iv) Credit Provider Reimbursement Obligations.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.

“Operating Reserve” means, as of any date of calculation, an amount in the Light and Power Fund equal to the amount contained in the then current Budget for Operations and Maintenance Expenses for the four months next succeeding the month in which the date of calculation occurs.

“Operation and Maintenance Expenses” mean the costs paid or incurred by the City for operating and maintaining the Electric System including, but not limited to: (i) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing; (ii) all costs and expenses of management of the Electric System; (iii) all costs and expenses of maintenance and repair, and other expenses necessary or appropriate in the judgment of the City to maintain and preserve, the Electric System in good repair and working order; (iv) all administrative costs of the several departments of the City that are charged directly or apportioned to the operation or maintenance of the Electric System, such as salaries and wages (including retirement benefits) of employees, overhead, taxes (if any) and insurance premiums; (v) payments in-lieu of taxes to any public agency other than the City in connection with the Electric System; (vi) all costs, expenses and charges of the City required to be paid by it to comply with the terms of any Issuing Instrument authorizing the issuance of Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent, broker-dealer or auction agent or fees and expenses of Independent Certified Public Accountants, Independent Engineers and other consultants; (vii) the fees, expenses and indemnification of Credit Providers and Reserve Financial Guaranty Providers; (viii) all amounts required to be paid by the City under contracts with a joint powers agencies for the purchase of capacity, rights in an electric generating station or electric transmission facilities, transmission capability or any other commodity right, or service in connection with the Electric System, which contracts require payments to be made by the City thereunder to be treated as operation and maintenance expenses of the Electric System; (ix) all deposits to be made to a rebate fund established with respect to Parity Obligations to provide for any rebate to the United States required to maintain the Tax-Exempt status of interest on such Parity Obligations; (x) any cost or expense paid by the City to comply with requirements of law applicable to the Electric System or the City’s ownership or operation thereof or in any capacity with respect thereto or any activity in connection therewith, including without limitation the Public Benefits uses required by Section 385 of the California Public Utilities Code; and (xi) any other cost or expense which, in accordance with Generally Accepted Accounting Principles, is to be treated as a cost of operating or maintaining the

Electric System; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, Franchise Payments to the City and Unrealized Items. Except as provided in clause (iv), no transfer of Revenues to the City, including the Franchise Payment, will constitute an Operation and Maintenance Expense.

“Opinion of Bond Counsel” means a written opinion signed by Bond Counsel.

“Outstanding” when used as of any particular time with respect to Obligations, means, except as otherwise provided in the Indenture, all Obligations theretofore or thereupon being issued by the City, except: (i) Obligations theretofore cancelled or surrendered for cancellation; (ii) Obligations paid or deemed to be paid within the meaning of any defeasance provisions of the Issuing Instrument pursuant such Obligations were issued; and (iii) Obligations in lieu of or in substitution for which replacement Obligations have been issued.

“Paired Obligations” mean any Series (or portion thereof) of Parity Obligations designated as Paired Obligations in the Issuing Instrument authorizing the issuance thereof, which are simultaneously issued: (i) the principal of which is of equal amount maturing and to be redeemed (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, result in an irrevocably fixed interest rate obligation of the City for the terms of such Paired Obligations.

“Parity Obligations” means Bonds and any Obligations which are payable from the Net Revenues and amounts in the Light and Power Fund other than the Operating Reserve available for such payment in accordance with the Master Indenture on a parity with the payment of the Bonds and which satisfy the applicable conditions of the Indenture, including without limitation Credit Provider Reimbursement Obligations and, with respect to Qualified Swap Agreements, the Net Payments, but not the Termination Payments and other payments, due thereunder.

“Participants” means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository’s book-entry system as having an interest in such Bonds.

“Paying Agent” means, with respect to a Series of Bonds, the Trustee and any banking corporation, banking association or trust company designated as paying agent for such Series of Bonds pursuant to the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

“Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (the Trustee may rely on the investment directions of the City that the investment is approved by the City’s investment policy) and to the extent then permitted by law:

(i) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank (Eximbank) Direct obligations or fully guaranteed certificates of beneficial ownership; (2) Farmers Home Administration (“FmHA”) Certificates of beneficial ownership; (3) Federal Financing Bank; (4) Federal Housing Administration Debentures (“FHA”); (5) General Services Administration Participation certificates; (6) Government National Mortgage Association (“GNMA”) GNMA - guaranteed mortgage-backed bonds GNMA - guaranteed pass-through obligations (participation certificates); and (7) United States Maritime Administration Guaranteed Title XI financing; (8) (viii) United States Department of Housing and Urban Development Project Notes, Local Authority Bonds and New Communities Debentures - U.S. government guaranteed debentures U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System Senior debt obligations; (2) Federal Home Loan Mortgage Corporation ("FHLMC") Participation Certificates Senior debt obligations; (3) Federal National Mortgage Association ("FNMA") Mortgage-backed securities and senior debt obligations; (4) Student Loan Marketing Association Senior debt obligations; (5) Resolution Funding Corporation obligations; and (6) Farm Credit System Consolidated system-wide bonds and notes.

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAA-m," "AA-m" or "A-m" and if rated by Moody's "Aaa," "Aa1" or "Aa2," including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria contained in the Indenture.

(v) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the City or the Trustee must have a perfected first security interest in the collateral.

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(vii) Investment agreements with, or guaranteed by, a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which is rated at least "AA" by S&P and "Aa" by Moody's, and which agreements are acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(xi) Repurchase Agreements for 30 days or less must satisfy the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement. Repurchase agreements must be between the City or the Trustee and a dealer bank or securities firm. Primary dealers on the Federal Reserve reporting dealer list must be rated "A" or better by S&P and "A2" or better by Moody's, or banks must be rated "A" or better by S&P and "A2" or better Moody's. The written repurchase agreements contract must include the following: (1) securities which are acceptable for transfer are: (a) Securities described in clauses (i) or (ii); or (b) Securities of FNMA or FHLMC described in clause (ii); (2) the collateral must be delivered to the City, the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneously with payment; (3) (a) the securities must be valued weekly, marked-to-market at current market price plus accrued interest; (b) the value of collateral in the case of securities described in clauses (i) or (ii) must be equal to 104% of the amount of cash transferred by the City or the Trustee to the dealer bank or security firm under the repurchase agreements plus accrued interest. The value of collateral in the case of securities of FNMA or FHLMC described in clause (iii) must be equal to 105% of the amount of cash transferred by the City or the Trustee to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral falls below the required percentage of the value of the cash transferred, then additional cash and/or acceptable securities must be transferred. An opinion of counsel selected by the City, which may be the City Attorney or other counsel retained by the City, to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds must be received by the City or the Trustee.

(xii) Any state administered pool investment fund in which the City is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State.

(xiii) Advance Refunded Municipal Securities.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Debt Service Fund established pursuant to the Indenture.

“Principal Office” means, with respect to: (i) the Trustee, the principal office of such Trustee in Los Angeles, California, or such other office of the Trustee designated thereby; and (ii) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Prudent Utility Practice” means any of the practices, methods, and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to, the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method, or act to the exclusion of all others, but rather is a spectrum of possible practices, methods, or act which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety, and expedition.

“Public Finance Contract” means: (i) any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices; (ii) any contract to exchange cash flows or a series of payments; or (iii) any contract to hedge payment, currency, rate spread or similar exposure, including but not limited to interest, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty.

“Purchase Price” means: (i) with respect to Bonds of any Series, the purchase price set forth or determined pursuant to the Supplemental Indenture authorizing the Bonds of such Series to be paid to the Owners of such Bonds when such Bonds are tendered for purchase or deemed tendered for purchase in accordance with the provisions of such Supplemental Indenture; and (ii) with respect to other Parity Obligations, the purchase price set forth in the Issuing Instrument authorizing such Parity Obligations to be paid to the owners of such Parity Obligations when such Parity Obligations are tendered or deemed tendered for purchase in accordance with the provisions of such Issuing Instrument.

“Qualified Swap Agreement” means a Public Finance Contract entered into by the City and satisfying the conditions of the Indenture.

“Rating Agency” means, as of any time and to the extent it is then providing or maintaining a rating on Parity Obligations at the request of the City, each of Moody’s or Standard & Poor’s, or in the event that neither Moody’s or Standard & Poor’s then maintains a rating on Parity Obligations at the request of the City, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the City.

“Rating Category” means: (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier; and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a

particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rating Confirmation” means written evidence from each Rating Agency then rating Outstanding Parity Obligations at the request of the City to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Parity Obligation will not be lowered or withdrawn solely as a result of the occurrence of such event.

“Rebate Fund” means the City of Vernon Electric System Rebate Fund established pursuant to the Indenture.

“Record Date” means, with respect to an Interest Payment Date for a Series of Bonds, the date or dates specified as such in the Supplemental Indenture authorizing such Series of Bonds.

“Redemption Date” means, with respect to any Bonds to be redeemed in accordance with the Master Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

“Redemption Fund” means the City of Vernon Electric System Redemption Fund established pursuant to the Indenture.

“Redemption Price” means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

“Refunding Bonds” means Bonds issued in accordance with the terms and conditions of the Indenture for the purposes, and satisfying the conditions of, the Indenture.

“Refunding Parity Obligations” means Parity Obligations, including Refunding Bonds, issued for the purposes set forth in the Indenture and satisfying the conditions set forth in the Indenture .

“Representation Letter” the letter or letters of representation from the City to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the City, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by S&P and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

“Reserve Financial Guaranty Provider” means an issuer of a Reserve Financial Guaranty.

“Revenues” mean all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, including all rates and charges for the Electric Service and the other services and facilities of the Electric System, all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or otherwise arising from the Electric System, including all net receipts pursuant to Public Finance Contracts entered into in connection with any Obligations or program of investments relating to the Electric System and all income from the deposit or investment of any money in the Light and Power Fund, but excluding: (i) proceeds of taxes; (ii) refundable deposits made to establish credit and advances; (iii) contributions in aid of construction; and (iv) line extension fees.

“Rule 15c2-12” means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

“Securities Depository” means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

“Serial Obligations” means Obligations for which no Sinking Fund Installments are established.

“Serial Parity Obligations” means Serial Obligations which are Parity Obligations.

“Series” means Obligations issued at the same time or sharing some other common term or characteristic and designated in the Issuing Instrument pursuant to which such Obligations were issued as a separate issue or series of Obligations.

“SIFMA Index” means, as of any date, The Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, Tax-Exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Securities Industry and Financial Markets Association; provided, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successors, then “SIFMA Index” will mean such other reasonably comparable index as may be selected by the City.

“Sinking Fund Account” means the account by that name in the Debt Service Fund established pursuant to the Indenture.

“Sinking Fund Installment” means, with respect to any Term Parity Obligations, each amount so designated for such Term Parity Obligations in the Issuing Instrument authorizing the issuance of such Parity Obligations requiring payments by the City to be applied to the retirement of such Parity Obligations on and prior to the stated maturity date thereof.

“Standard & Poor’s” means Standard & Poor’s Rating Services and any successor entity rating Parity Obligations at the request of the City.

“State” means the State of California.

“Subordinate Obligation” means any Obligation which is expressly made subordinate and junior in right of payment from the Net Revenues and amounts in the Light and Power Fund other than the Operating Reserve available for such payment in accordance with the Master Indenture to the payment of Parity Obligations and which complies with the provisions of the Indenture.

“Supplemental Indenture” means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the City and the Trustee in accordance with the Indenture.

“Tax Certificate” means a certificate relating to the requirements of the Code signed on behalf of the City and delivered in connection with the issuance of a Series of Bonds.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Indebtedness” means any Parity Obligations or portions of Parity Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Parity Obligations, to tender all or a portion of such Parity Obligations to the City, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Parity Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

“Termination Payment” means with respect to a Qualified Swap Agreement, the amount payable by the City as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

“Term Obligations” means Obligations which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Obligations on or before their specified maturity dates.

“Term Parity Obligations” means Term Obligations which are Parity Obligations.

“Trust Estate” means, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein: (i) the Revenues; (ii) all amounts on deposit in the Light and Power Fund, including the investments, if any, thereof; and (iii) all amounts on deposit in the Funds, other than the Rebate Fund, held by the Trustee under the Indenture, including the investments, if any, thereof.

“Trustee” means, The Bank of New York Mellon Trust Company, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of the Indenture.

“Unrealized Item” means each item of revenue or expense of the Electric System recognized as a revenue or expense of the Electric System in accordance with Generally Accepted Accounting Principles which are due to unrealized gains or losses caused by marking assets or liabilities of the Electric System to market.

“Variable Rate Indebtedness” means any Obligation, other than Paired Obligations, the interest rate on which to the maturity thereof is not established at a rate which is not subject to fluctuation or subsequent adjustment, either at the time of issuance of such Obligation or some subsequent date.

Rules of Construction. Words of the masculine gender will be deemed and construed to include correlative words of the feminine and neutral genders. Except where the context otherwise requires, words importing the singular number include the plural number and vice versa, and words importing persons include corporations and associations, including districts, agencies and other public bodies, as well as natural persons.

The term “principal” when used with reference to a Capital Appreciation Obligation as of its maturity date refers to the Final Compounded Amount of such Capital Appreciation Obligation and as to any other date, the Accreted Value of such Capital Appreciation Obligation as of such date. The term “principal” when used with reference to a Parity Obligation which is a Qualified Swap Agreement refers to the Net Payments due under such Qualified Swap Agreement. The term “principal” when used with reference to a Parity Obligation which is a Credit Provider Reimbursement Obligation refers to the amount advanced by the Credit Provider to the extent not included in Parity Obligations as Credit Provider Bonds.

The term “issue” includes issuance, creation, incurrence, entering into an agreement or any other act pursuant to which a party may become obligated with respect to an Obligation.

AUTHORIZATION AND ISSUANCE OF BONDS

Authorization of Bonds. The Indenture provides certain terms and conditions upon which Bonds of the City to be designated as “City of Vernon Electric System Revenue Bonds” may be issued from time to time as authorized by Supplemental Indentures. The aggregate principal amount of Bonds which may be executed, authenticated and delivered under the Indenture is not limited except as may be provided therein or as may be limited by law.

Bonds Constitute Special Obligations. The Bonds do not constitute a charge against the general credit of the City but constitute and evidence special obligations of the City payable as to principal, Redemption Price, if any, and interest solely from the Net Revenues and the other funds pledged therefor and available for such payment in accordance with the Indenture and, with respect to any particular Bonds, from such other sources as are specified in the Supplemental Indenture authorizing the issuance of such Bonds. The Purchase Price for the Bonds of any Series which are Tender Indebtedness will be payable from such sources, other than the Revenues and the other amounts in the Light and Power Fund, as are specified in the Supplemental Indenture authorizing the issuance of such Series. The provisions of the Indenture do not preclude the payment, purchase or redemption of Bonds, at the election of the City, from any other legally available funds. The Bonds are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the Trust Estate pledged therefor pursuant to the Master Indenture which pledge is subject to the provisions thereof permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein. Neither the faith and credit nor the taxing power of the State of California, the City or any other public agency is pledged to the payment of the principal or Redemption Price of or the interest on the Bonds. The issuance of the Bonds will not directly, indirectly or contingently obligate the City Council of the City to levy or pledge any form of taxation or to make any appropriation for the payment of the Bonds. The payment of the principal or Redemption Price of, or interest on, the Bonds does not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of the City as provided in the Indenture). Neither the members of the City Council of the City, nor any person executing a Bond, nor any officer or employee of the City will be liable personally for the principal or Redemption Price of, or interest on, the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or in respect of any undertakings by the City under the Indenture. The face of each Bond will contain a legend to the foregoing effect.

Indenture to Constitute Contract. In consideration of the purchase and acceptance of each Bond issued under the Indenture by those who own the same from time to time, the provisions of each Bond and the provisions of the Indenture applicable to such Bond will be deemed to be and will constitute a contract between the City and the Owner of such Bond.

Additional Bonds. One or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of paying all or a portion of the Costs of any Capital Improvement. Additional Bonds may be issued in a principal amount sufficient to pay such Costs, including making of any deposits into the funds or accounts required by the provisions of the Indenture and providing amounts for Costs of Issuance of such Additional Bonds.

Refunding Bonds.

(a) One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance for the purpose of refunding all or any portion of the Outstanding Parity Obligations. Refunding Bonds may be issued in a principal amount sufficient to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds, and the making of any deposits into the funds and accounts required by the provisions of the Indenture.

(b) Refunding Bonds of each Series will be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Indenture) of an Opinion of Bond Counsel to the effect that the Parity Obligations (or the portion thereof) to be refunded are deemed paid pursuant to the Issuing Instrument authorizing such Parity Obligations. Such Opinion of Bond Counsel may rely upon an Accountant's Certificate as to the sufficiency of available funds to pay such Parity Obligations. The Trustee may conclusively rely on such Opinion of Bond Counsel in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied.

(c) The proceeds, including accrued interest, of the Refunding Bonds of each Series will be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Indenture authorizing such Series of Refunding Bonds.

Conditions to Issuance of Parity Obligations.

(a) Without regard to clause (d), the City may, at any time and from time to time, issue or enter into a transaction under a Qualified Swap Agreement, the Net Payments under which constitute Parity Obligations, provided that: (i) the transaction relates to a principal amount of Outstanding Parity Obligations or investments held under an Issuing Instrument for Parity Obligations, in each case as specified by an Authorized City Representative; (ii) the notional amount of the transaction does not exceed the principal amount of the related Parity Obligation or the amount of such investments, as applicable; and (iii) either: (x) at the time of entering into the transaction, the counterparty (or a guarantor of the counterparty's obligations under the transaction) is rated at least "Aa" by Moody's or "AA" by S&P and the Qualified Swap Agreement includes the Collateral Requirements; or (y) the City has received a Rating Confirmation from each Rating Agency then rating Parity Obligations at the request of the City with respect to such transaction.

(b) The City may, at any time and from time to time, issue Refunding Parity Obligations provided that either: (i) the requirements set forth in clause (d) are satisfied upon the issuance of such Refunding Parity Obligations and the application of the proceeds thereof; or (ii) the City has provided to the Trustee a certificate showing that the Aggregate Adjusted Annual Debt Service for all Parity Obligations to be Outstanding after the issuance of such Refunding Parity Obligations does not exceed the Aggregate Adjusted Annual Debt Service for all Parity Obligations Outstanding immediately prior to the issuance of such Refunding Parity Obligations in each Fiscal Year from the date of issuance of such Refunding Parity Obligations to the last Fiscal Year in which any Parity Obligations Outstanding immediately prior to and subsequent to the issuance of such Refunding Parity Obligations are scheduled to remain Outstanding.

(c) Without regard to clause (d), the City may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to Parity Obligations.

(d) The City may, at any time and from time to time, issue any Additional Parity Obligations, provided the City obtains or provides either: (x) a certificate or certificates, prepared by the City or at the City's option by an Independent Engineer, showing: (i) that the Adjusted Net Revenues for the applicable Calculation Period, which Calculation Period will be selected by the City in its sole discretion, amount to at least 1.25 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations; and (ii) that the Net Revenues for such applicable Calculation Period amount to at least 1.00 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding immediately after the issuance of the proposed Additional Parity Obligations; or (y) a certificate or certificates, prepared by the City or at the City's option by an Independent Engineer, showing: (i) that the projected Adjusted Net Revenues during each of the five complete Fiscal Years beginning with the first Fiscal Year following the issuance of such Parity Obligations in which interest thereon is not capitalized, in whole or in part, amount to at least 1.25 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding during the applicable Fiscal Year; and (ii) that the projected Net Revenues during each of the five complete Fiscal Years beginning with the first Fiscal Year following the issuance of such Parity Obligations in which interest thereon is not capitalized, in whole or in part, amounts to at least 1.00 times the Maximum Adjusted Annual Debt Service on all Parity Obligations to be Outstanding during the applicable Fiscal Year. For purposes of preparing the certificate or certificates described in clause (x), the City and any Independent Engineer will utilize and rely on financial statements prepared by the City which have been subject to audit by an Independent Certified Public Accountant but may utilize and rely upon the books and records of the City or any financial statements prepared by the City which have not been subject to audit by an Independent Certified Public Accountant if audited financial statements for the particular Calculation Period selected by the City are not available.

Conditions of Issuance of Subordinate Obligations.

(a) The City may, at any time or from time to time, issue Subordinate Obligations without satisfying the requirements of the Indenture with respect to Parity Obligations for any purpose in connection with the Electric System, including, without limitation, the financing of a part of the cost of acquisition and construction of any Capital Improvement or the refunding of any Subordinate Obligations or Outstanding Parity Obligations (or portions thereof). Such Subordinate Obligations may be secured by a pledge of Revenues and amounts in the Light and

Power Fund, provided that any such pledge will be, and will be expressed to be, subordinate and junior in all respects to the pledge of the Revenues and amounts in the Light and Power Fund securing such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinate Obligations. Such Subordinate Obligations may be payable from Net Revenues and amounts in the Light and Power Fund, other than the Operating Reserve, as may from time to time be available for such payment in accordance with the Master Indenture, provided that any such payment will be, and will be expressed to be, subordinate and junior in all respects to the payment from such sources of such Parity Obligations as may be Outstanding from time to time, including Parity Obligations issued after the issuance of such Subordinate Obligations.

(b) The Issuing Instrument for Subordinate Obligations must contain provisions (which will be binding on all owners of such Subordinate Obligations) not more favorable to the owners of such Subordinate Obligations than the following:

(1) If an Event of Bankruptcy with respect to the City occurs and is continuing, the owners of all Outstanding Parity Obligations will be entitled to receive payment in full in cash of all principal, interest and all other payments due with respect to all such Parity Obligations, including any Termination Payments, before the owners of the Subordinate Obligations are entitled to receive any payment from the Net Revenues and amounts in the Light and Power Fund with respect to the Subordinate Obligations.

(2) In the event that any Subordinate Obligation is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of clause (1) are not applicable), the owners of all Parity Obligations Outstanding at the time such Subordinate Obligation so becomes due and payable because of such event of default, will be entitled to receive payment in full in cash of all principal, interest and all other payments due with respect to all such Parity Obligations before the owners of such Subordinate Obligation are entitled to receive any accelerated payment from Net Revenues and amounts in the Light and Power Fund with respect to such Subordinate Obligation. For purposes of the foregoing, a termination payment with respect to a Public Finance Contract which is not a Qualified Swap Agreement will not be considered a declaration of amounts due and payable before expressed maturity even if declared due and payable because of the occurrence of an event of default.

(3) If any default with respect to any Outstanding Parity Obligation has occurred and is continuing (under circumstances when the provisions of clause (1) above is not applicable), the owners of all Outstanding Parity Obligations will be entitled to receive payment in full in cash of all principal, interest and all other payments due with respect to all such Parity Obligations as the same become due and payable in accordance with the provisions of the Issuing Instrument authorizing the issuance of such Parity Obligations before the owners of the Subordinate Obligations are entitled to receive, subject to the provisions of clause (5), any payment from the Net Revenues and amounts in the Light and Power Fund with respect to the Subordinate Obligations.

(4) No Bondowner or owner of other Outstanding Parity Obligations will be prejudiced in his right to enforce subordination of the Subordinate Obligations by any act or failure to act on the part of the City or the Trustee.

(5) The Subordinate Obligations may provide that the provisions of clauses (1), (2), (3) and (4) are solely for the purpose of defining the relative rights of the Owners of the Bonds and the owners of all other Outstanding Parity Obligations on the one hand, and the owners of Subordinate Obligations on the other hand, and that nothing therein will impair, as between the City and the owners of the Subordinate Obligations, the obligation of the City, which may be unconditional and absolute, to pay to the owners of such Subordinate Obligations the principal thereof and premium, if any, and interest thereon in accordance with their terms, nor will anything in the Indenture prevent the owners of the Subordinate Obligations from exercising all remedies otherwise permitted by applicable law, or under the Subordinate Obligations or the Issuing Instruments authorizing the Subordinate Obligations, upon default under such Subordinate Obligations or Issuing Instruments, subject to the rights under clauses (1), (2), (3) and (4) above of the Owners of Outstanding Bonds and the owners of other Outstanding Parity Obligations to receive payment from the Net Revenues and amounts in the Light and Power Fund otherwise payable or deliverable to the owners of the Subordinate Obligations; and the Subordinate Obligations may provide that, insofar as a trustee, fiscal agent or paying agent for such Subordinate Obligations is concerned, the foregoing provisions do not prevent the application by such trustee, fiscal agent or paying agent of any moneys deposited with

such trustee, fiscal agent or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinate Obligations if such trustee, fiscal agent or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

(c) Any Subordinate Obligations may have such rank or priority with respect to any other Subordinate Obligations as may be provided in the Issuing Instrument, authorizing the issuance or securing of such Subordinate Obligations and may contain such other provisions as are not in conflict with the provisions of the Indenture.

Credit Provider Bonds. Subject only to the provisions that are set forth under the caption “—Bonds Constitute Special Obligations,” notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds will have terms and conditions, including terms of maturity, payment, prepayment and interest rate, as will be specified in the applicable Credit Support Agreement.

GENERAL TERMS AND PROVISIONS OF BONDS

Medium of Payment; Form and Date; Letters and Numbers.

(a) Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series will be payable, with respect to principal, Redemption Price, if any, Purchase Price, if any, and interest in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series will be dated as provided in or determined pursuant to the Supplemental Indenture authorizing such Series. Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such Bonds are authenticated on an Interest Payment Date, in which event from such Interest Payment Date; and (ii) unless such Bonds are authenticated after a Record Date and before the next succeeding Interest Payment Date for such Bonds, in which event from such Interest Payment Date; provided, however, that if the date of authentication of a Bond is prior to the Record Date for the first Interest Payment Date for such Bond, such Bond will bear interest from its original dated date. Notwithstanding the foregoing, if the City defaults in the payment of interest, then the Bonds will bear interest from the date to which interest has been paid or if no interest has been paid, from their original dated date.

(c) Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the interest payable on Bonds will be calculated on the basis of a 360-day year of twelve thirty day months.

(d) Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds (or, with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series), interest on each Bond will be payable on each Interest Payment Date for such Bond and will be paid by check of the Trustee mailed on such Interest Payment Date to the Owner of such Bond shown on the Bond Register as of the close of business on the Record Date immediately preceding such Interest Payment Date. Owners of at least \$1,000,000 aggregate principal amount (or, with respect to a Series of the Bonds, such other principal amount as may be specified in the Supplemental Indenture authorizing such Series), of Bonds of any Series may, at any time prior to a Record Date with respect to the payment of interest on such Bonds, give the Trustee written instructions for payment of such interest on each succeeding Interest Payment Date for such Bonds by wire transfer or by deposit to an account within the United States of America. Notwithstanding the foregoing, however, if the City defaults in the payment of interest due on Bonds on any Interest Payment Date, such interest will cease to be payable to the persons in whose name such Bonds were registered in the Bond Register on the Record Date for such Interest Payment Date, and will be payable, when and if paid by the City, to the persons in whose names such Bonds are registered at the close of business on the record date fixed therefor by the Trustee, which may not be more than 15 days and not less than 10 days prior to the date of the proposed payment.

(e) Unless redeemed prior to such date, the principal of each Bond will be payable on its maturity date and the Redemption Price of each Bond called for redemption prior to maturity, subject to the terms of the

Indenture, will be payable on the applicable redemption date. Except as otherwise provided in the Representation Letter with a Securities Depository for Book-Entry Bonds, the principal and, if applicable, the Redemption Price of each Bond will be payable only upon presentation and surrender of such Bond at the Principal Office of the Trustee or any other Paying Agent for such Bond for cancellation; provided that the Trustee may agree with the Owner of any Bond that such Owner may, in lieu of surrendering the same for a new Bond, endorse on such Bond a record of partial payment of the principal of such Bond in the form set forth in the Indenture.

The Trustee will maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Trustee will be conclusive. Such partial payment will be valid upon payment of the amount thereof to the Owner of such Bond, and the City and the Trustee will be fully released and discharged from all liability to the extent of such payment regardless of whether such endorsement has or has not been made upon such Bond by the Owner thereof and regardless of any error or omission in such endorsement.

Book-Entry Bonds.

(a) Unless otherwise provided with respect to a Series of Bonds in the Supplemental Indenture authorizing such Series, the Bonds of each Series will be issued as Book-Entry Bonds in fully registered form with no distribution of physical bonds made to the public. Except as otherwise provided in the Indenture, the Book-Entry Bonds of each Series will be registered in the name of the Securities Depository or its Nominee as directed by the Securities Depository. The payment of Book-Entry Bonds and the giving of notices will be governed by the terms of the Representation Letter with the Securities Depository for the Book-Entry Bonds. DTC will act as the initial Securities Depository for the Book-Entry Bonds and has designated Cede & Co. as its Nominee. DTC has represented to the City that it will maintain a book-entry program in recording ownership interests in the Book-Entry Bonds of its Participants and the ownership interests of a Beneficial Owner of a Bond will be recorded through book entries on the records of the Participants.

(b) Bonds of each Series which are not Book-Entry Bonds will be delivered to the Owners thereof as fully registered Bonds in the form specified in the Supplemental Indenture authorizing the issuance of such Series of Bonds, with the ownership of such Bonds being recorded in the Bond Register.

(c) In the event that DTC or any successor Securities Depository ceases to act as Securities Depository for Bonds of a Series, then Bonds of such Series in certificated form will be issued to the Owners in substantially the form of the Bond delivered to the former Securities Depository or its Nominee with necessary changes to reflect non-book-entry status as approved by the officers of the City executing such Bonds. The issuance of individual Bonds in certificated form will be accomplished as provided in the Representation Letter.

(d) With respect to Bonds registered in the Bond Register in the name of a Securities Depository or a Nominee, the City, the Trustee and each Paying Agent have no responsibility or obligation to any Participant or to any Beneficial Owner. Without limiting the immediately preceding sentence, none of the City, the Trustee or any Paying Agent have any responsibility or obligation with respect to: (i) the accuracy of the records of a Securities Depository, its Nominee or any Participant as to any ownership interest in the Bonds; (ii) the delivery to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Bonds; or (iii) the payment to any Participant, Beneficial Owner or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal and Purchase Price of, premium, if any, or interest on the Bonds. The City, the Trustee and each Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of principal and Purchase Price of, premium, if any, and interest on such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. None of the City, the Trustee or any Paying Agent will be affected by any notice to the contrary. All principal and Purchase Price of, premium, if any, and interest on the Bonds will be paid only to or upon the order of the respective Owner, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal and Purchase Price of, Redemption Price, if any, and interest on the Bonds to the extent of the sum or sums so paid, and none of the City, the Trustee or any Paying Agent will be affected by any notice to the contrary. No person other than an Owner, as shown in the Bond Register, will receive a Bond evidencing the obligation of the City to make payments of principal and Purchase Price of, Redemption Price, if any, and interest pursuant to the Indenture.

(e) Upon delivery by a Securities Depository to the City of written notice to the effect that the Securities Depository has determined to substitute a new Nominee in place of its current Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee for purposes of the Indenture refers to such new Nominee of the Securities Depository; and upon receipt of such a notice the City will promptly deliver a copy of the same to the Trustee.

(f) Notwithstanding any other provision of the Indenture and so long as Book-Entry Bonds are registered in the name of a Nominee, the City and the Trustee will cooperate with the Securities Depository in effecting payment of the principal of, Redemption Price, if any, and interest on such Book-Entry Bonds by arranging for payment in such manner as the Securities Depository may reasonably instruct in writing that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Representation Letter, the provisions of which the Trustee may rely upon to implement the foregoing procedures.

(g) A Securities Depository for the Book-Entry Bonds may resign upon giving 30 days written notice of such resignation to the City and the Trustee. The City may terminate the use of the book-entry system of a Securities Depository for Book-Entry Bonds upon giving 30 days written notice of such termination to the Securities Depository and the Trustee. Any such resignation or termination will become effective upon the earlier of the appointment of a successor Securities Depository for Book-Entry Bonds by the City or the issuance of Bonds which are not Book-Entry Bonds pursuant to the Indenture.

Transfers Outside Book-Entry Program. In the event that the resignation or removal of a Securities Depository has become effective pursuant to the Indenture, then the City will thereupon discontinue the current book-entry program for the Book-Entry Bonds with such Securities Depository. In such event, the City will cause the Trustee to obtain from the former Securities Depository a list showing the interests of the Participants in the Book-Entry Bonds and will cause such Book-Entry Bonds to be surrendered to the Trustee on or before the date any replacement Bonds are to be issued. Furthermore, in the event that the City determines to use a substitute Securities Depository, the City will so notify the Trustee and each Paying Agent for Book-Entry Bonds. If, prior to the termination of the current Securities Depository's book-entry system for the Book-Entry Bonds, the City fails to identify another qualified Securities Depository to replace the current Securities Depository, then the Book-Entry Bonds will no longer be required to be registered in the name of a Securities Depository or its Nominee and the City will issue, and the Trustee will authenticate, replacement Bonds in the appropriate amounts and in whatever name or names the Owners of the Book-Entry Bonds designate pursuant to the Representation Letter with the former Securities Depository. In the event that the City determines that the Beneficial Owners of the Bonds are able to obtain physical Bonds through a Securities Depository, the City may notify the Participants identified by the Securities Depository as having an interest in the Bonds of the availability of such physical Bonds and the Trustee will authenticate, transfer and exchange Bonds as required by the Securities Depository in the appropriate names and amounts, which will be in Authorized Denominations.

Bond Register. The Trustee will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds of each Series which will at all times be open to inspection during regular business hours by the City upon reasonable notice, and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred on said Bond Register, Bonds of each Series as provided in the Indenture.

The City, the Trustee and each Paying Agent may rely on the address of the Owner of each Bond as it appears on the Bond Register for any and all purposes. It is the duty of the Owner of each Bond to give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

Interchangeability of Bonds. Upon surrender of a Bond at the Principal Office of the Trustee, together with a written instrument of transfer satisfactory to the Trustee and duly executed by the Owner or the Owner's attorney duly authorized in writing, may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of Bonds of the same Series, terms and maturity of any other Authorized Denominations.

Negotiability, Transfer and Registry. Each Bond will be transferable only upon the Bond Register, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, duly executed by the

Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond, the City will execute and the Trustee will authenticate, deliver and register in the Bond Register in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, terms and maturity as the surrendered Bond.

Regulations With Respect to Exchanges and Transfers. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, in all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City will execute and the Trustee will authenticate and deliver Bonds in accordance with the provisions of the Indenture relating to such Bonds. All Bonds surrendered in any such exchanges or transfers will forthwith be delivered to the Trustee and cancelled by the Trustee. Unless the Indenture relating to such Bonds provides that such transfer or exchange is made without charge to the Owner, for every such exchange or transfer of Bonds, whether temporary or definitive, the City or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid and any other cost incurred by the City or the Trustee with respect to such exchange or transfer.

Bonds Mutilated, Destroyed, Stolen or Lost. Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, if any Bond becomes mutilated or is lost, stolen or destroyed, the City may execute and the Trustee will authenticate and deliver a new Bond of like date of Series, maturity, principal amount and terms as the Bond so mutilated, lost, stolen or destroyed; provided that: (i) in the case of such mutilated Bond, such Bond is first surrendered to City or the Trustee; (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Trustee together with indemnity satisfactory to the Trustee; (iii) all other reasonable requirements of the City and the Trustee are complied with; and (iv) expenses in connection with such transaction are paid by the Owner. Any Bond surrendered for exchange will be cancelled. Any such new Bond issued pursuant to the Indenture in substitution for a Bond alleged to be destroyed, stolen or lost will constitute original additional contractual obligations on the part of the City, whether or not the Bond so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and will be equally payable from the Net Revenues and the other funds pledged therefor and available under the Indenture on a parity with and entitled to equal and proportionate benefits with, all other Bonds.

Temporary Bonds.

(a) Subject to the terms of a Representation Letter with a Securities Depository for Book-Entry Bonds, until the definitive Bonds are prepared, the City may execute, in the same manner as is provided in the Indenture with respect to definitive Bonds, and upon the request of the City, the Trustee will authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the exchangeability for Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in Authorized Denominations, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The installments of interest payable on such temporary Bonds will be payable in the same manner as interest is payable on the definitive Bonds in lieu of which such temporary Bonds were issued. The City, at its own expense, will prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee will authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive registered Bonds of the same aggregate Series, principal amount, terms, maturity and date of issue as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds of a Series will in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture authorizing the issuance of such Series of Bonds.

(b) Temporary Bonds authorized in more than one denomination, upon surrender thereof at the Principal Office of the Trustee, may at the option of the Owner thereof, and upon payment by such Owner of any charges which may be made as provided in the Indenture be exchanged for an equal aggregate principal amount of temporary Bonds of the same Series, maturity, and containing the same terms, of any of the Authorized Denominations as requested by such Owner.

(c) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds will be forthwith cancelled by the Trustee.

Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, and all Bonds surrendered for transfer or exchange, will be delivered to the Trustee when such payment, redemption or surrender is made, and such Bonds, together with all Bonds purchased by the Trustee, will thereupon be promptly cancelled. Bonds so cancelled may at any time be destroyed by the Trustee, who will execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate will be filed with the City and the other executed certificate will be retained by the Trustee.

REDEMPTION OF BONDS

Redemption Otherwise Than at City's Direction. Whenever by the terms of the Indenture, the Trustee is required or authorized to redeem Bonds otherwise than at the option or direction of the City and the Indenture does not expressly set forth the principal amount of Bonds of each Series and maturity so subject to redemption to be redeemed, the City may select the principal amounts of the Bonds of each Series and maturity to be redeemed (which Series, maturities and principal amounts to be redeemed will be determined by the City in its sole discretion, subject to any limitations with respect thereto contained in the Indenture and provided that, with respect to any Bond to be redeemed in part, the portion of such Bond which is not to be redeemed is in an Authorized Denomination) and in the event that the City does not notify the Trustee of such Series, maturities, and principal amounts, to be redeemed on or before the 45th day preceding the redemption date, the Trustee will, in its sole discretion, subject to any limitations with respect to the Series, maturity, or principal amount of Bonds to be redeemed contained in the Indenture, select the Series, maturities and principal amounts of Bonds to be redeemed, which selection will be conclusive, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof to the Owners of the Bonds to be redeemed or to appropriate Paying Agents in accordance with the terms of the Indenture.

Selection of Bonds to be Redeemed. If less than all of the Outstanding Bonds, or less than all of the Outstanding Bonds of like Series and maturity, are called for prior redemption, except as otherwise provided with respect to Credit Provider Bonds in the Supplemental Indenture authorizing such Credit Provider Bonds or in the applicable Credit Support Agreement or except as otherwise provided with respect to Book-Entry Bonds in a Representation Letter, the particular Bonds or portions of Bonds to be redeemed will, subject to any limitations with respect thereto contained in the Indenture, be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bond of a denomination greater than the minimum Authorized Denomination for the Bonds of a Series will be redeemed in part only in a principal amount such that the portion of such Bond which is not redeemed is in an Authorized Denomination for such Series and that, in selecting portions of Bonds of a Series for redemption, the Trustee will treat each Bond of each Series as representing that number of Bonds of the minimum Authorized Denomination for such Series which is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for the Bonds of such Series.

Notice of Redemption.

(a) When the Trustee receives notice from the City of the exercise of its option to redeem Bonds or of its direction to otherwise cause the redemption of Bonds pursuant to the Indenture, and when redemption of Bonds of a Series is authorized or required pursuant to the Indenture, the Trustee will give notice, in the name of the City, of the redemption of such Bonds, which notice will be mailed, by first class mail, postage prepaid, not more than 60 nor less than 30 days before the redemption date to the Owners of any Bonds to be redeemed (in whole or in part) at their addresses appearing in the Bond Register. Such notice will specify the Series and maturity date of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will further state that, except as provided in clause (b), on such date there will become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion of the principal amount thereof to be redeemed in the case of a Bond to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such Bond to be redeemed will cease to accrue and be payable.

Receipt of such notice is not a condition precedent to the redemption of Bonds and failure of any Owner of a Bond to receive any such notice or any insubstantial defect in such notice will not affect the validity of the proceedings for the redemption of Bonds. Any defect in such notice given to the Owners of less than all of the Bonds to be redeemed will not affect the validity of the proceedings for the redemption of the Bonds as to which the notice of redemption did not contain such defect.

(b) In the event that funds required to pay the Redemption Price of Bonds to be redeemed at the option of the City are not on deposit with the Trustee at the time the Trustee gives notice of redemption to the Owners of such Bonds, such notice will state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the City will not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons and in the manner in which the notice of redemption was given that such moneys were not so received and that there will be no redemption of Bonds pursuant to the conditional notice of redemption.

(c) If upon the expiration of 60 days succeeding any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than 90 days following such redemption date send written notice by first class mail to the Owner of each Bond not so presented. Failure to mail the notices required by the Indenture to any Owner, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any Bonds nor impose any liability on the Trustee.

(d) In addition to the notice of redemption required pursuant to clause (a), if any Bonds are to be redeemed, then at the written request of an Authorized City Representative received at least 45 days before the redemption date, at least 30 days before the redemption date, the Trustee will also give redemption notice by: (i) registered or certified mail, return receipt requested, postage prepaid; (ii) telephonically confirmed facsimile transmission; or (iii) overnight delivery service, to one of the Information Services. Failure to give the foregoing notices or any defects therein will not in any manner affect the proceedings for redemption of any Bonds.

(e) Neither the City nor the Trustee have any responsibility for any defect in the CUSIP number that appears on any Bonds or in any redemption notice or other notice with respect thereto, and any such redemption notice or other notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the City nor the Trustee will be liable for any inaccuracy in such numbers.

Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the City will execute, and the Trustee will authenticate and deliver to the Owner of such Bond, at the expense of the City, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, of the same Series, maturity and terms as the surrendered Bond.

Effect of Notice and Availability of Redemption Money. Subject to the provisions of the Indenture, notice of redemption having been duly mailed to the Owners of the Bonds to be redeemed (in whole or in part), as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (a) the Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, as provided in the Indenture, anything in such Indenture or in the Bonds to the contrary notwithstanding; (b) except as otherwise provided in a Representation Letter, upon presentation and surrender thereof at the Principal Office of the Trustee or another Paying Agent for such Bonds, the Bonds to be redeemed will be redeemed at the applicable Redemption Price; (c) the Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds or portions thereof will cease to bear further interest; and (d) after the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Pledge of Trust Estate. Subject to the application thereof on the terms and conditions provided in the Indenture, to secure the payment of all the Outstanding Bonds, including Credit Provider Bonds, and the interest payments becoming due thereon according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Outstanding Bonds, including Credit Provider Bonds, and the Indenture, the City has irrevocably granted a lien on and a security interest in, and pledges, the Trust Estate to the Trustee, for the benefit of the Owners of the Outstanding Bonds, including Credit Provider Bonds, which lien on, security interest in and pledge of the Revenues and amounts in the Light and Power Fund included in the Trust Estate will be on a parity with any pledge of Revenues and amounts in the Light and Power Fund securing Parity Obligations, including Credit Support Agreements for Parity Obligations and Qualified Swap Agreements. The lien on and security interest in and pledge of the Trust Estate constitutes a first pledge of and charge and lien upon the Trust Estate, will immediately attach and be effective, binding and enforceable against the City, its successors, purchasers of any of the Trust Estate, creditors and all others asserting rights therein to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Trust Estate and without the need for any physical delivery, recordation, filing or further act. The grant of a lien on and security interest in, and pledge of, the Trust Estate pursuant to the Indenture is made pursuant to the Bond Ordinance and Chapter 5.5 of Division 6 of Title 1 (commencing with Section 5450) of the Government Code of the State.

Funds. To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds, there have been established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds are Outstanding:

- (a) the City of Vernon Electric System Debt Service Fund, comprised of an Interest Account, a Principal Account and a Sinking Fund Account;
- (b) the City of Vernon Electric System Redemption Fund;
- (c) the City of Vernon Electric System Debt Service Reserve Fund;
- (d) the City of Vernon Electric System Expense Stabilization Fund; and
- (e) the City of Vernon Electric System Rebate Fund.

Debt Service Fund.

(a) From the moneys paid by the City to the Trustee pursuant to the Indenture, the Trustee, upon receipt of such moneys, will deposit the following amounts in the following specified accounts within the Debt Service Fund: (1) for deposit in the Interest Account, an amount equal to the interest payable on the Outstanding Bonds on the applicable Interest Payment Date; (2) for deposit in the Principal Account, an amount equal to the principal of the Outstanding Bonds maturing on the applicable maturity date; and (3) for deposit in the Sinking Fund Account, an amount equal to the Sinking Fund Installment due on the applicable Sinking Fund Installment due date.

(b) From the moneys paid by the City pursuant to the Trustee other than in connection with regularly scheduled payments on the Bonds or redemption of Bonds, the Trustee, upon receipt of such moneys, will deposit the following amounts in the following specified accounts within the Debt Service Fund: (1) for deposit in the Interest Account, an amount equal to the interest on the Outstanding Bonds then payable; and (2) for deposit in the Principal Account, an amount equal to the principal of the Outstanding Bonds then payable.

(c) In the event that Bonds which are Term Obligations purchased or redeemed at the option of the City are deposited with the Trustee for the credit of the Sinking Fund Account not less than 45 days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit will satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the City to make a payment to the Trustee pursuant to the

Indenture with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee will be cancelled and will no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in the Indenture, the City may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the City's obligations to make a payment to the Trustee pursuant to the Indenture will be satisfied.

(d) Except as provided in the Indenture: (1) amounts deposited in the Interest Account will remain therein until expended for the payment of interest on the Bonds; (2) amounts deposited in the Principal Account will remain therein until expended for the payment of principal of the Bonds; and (3) amounts deposited in the Sinking Fund Account will remain therein until expended for the redemption or payment at maturity from Sinking Fund Installments of Bonds which are Term Obligations.

(e) The Trustee will apply amounts in the Interest Account to the payment when due of interest on the Outstanding Bonds. The Trustee will apply amounts in the Principal Account to the payment when due of principal of the Outstanding Bonds. The Trustee will apply amounts in the Sinking Fund Account to the redemption (or payment at maturity) of the Bonds which are Term Obligations.

In the event that one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Debt Service Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds. In the event that any principal of, Redemption Price or interest on, any Bond has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Debt Service Fund with respect to such Bond, and any such amounts transferred by the Trustee from the Debt Service Fund to a Paying Agent for such Bond pursuant to the Indenture, will be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund. From the moneys paid by the City pursuant to the Indenture for redemption of Bonds, the Trustee will deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys will be set aside in said Fund and applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in the Indenture, will be used only for that purpose. In the event that one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to the Indenture, will be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys will be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys will be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Debt Service Reserve Fund.

(a) If on any date on which the principal or Redemption Price of, or interest on, Bonds is due, the amount in the applicable account in the Debt Service Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds due on such date, the Trustee will apply amounts from the Debt Service Reserve Fund to the extent necessary to make good the deficiency.

(b) Except as provided in clause (e) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, such excess will be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys will be deposited in the Interest Account.

(c) Whenever the amount in the Debt Service Reserve Fund (excluding Reserve Financial Guaranties), together with the amount in the Debt Service Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Fund will be transferred to the Debt Service Fund.

(d) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee will, upon the written direction of an Authorized City Representative, withdraw from the Debt Service Reserve Fund any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal may not be made unless: (1) immediately thereafter the Bonds (or portions thereof) being refunded are deemed to have been paid pursuant to the Indenture; and (b) the amount remaining in the Debt Service Reserve Fund after such withdrawal (including the amount of any Reserve Financial Guaranties), taking into account any deposits to be made in the Debt Service Reserve Fund in connection with such refunding, is not less than the Debt Service Reserve Requirement.

(e) In lieu of the deposits and transfers to the Debt Service Reserve Fund required by the Indenture, the City may cause to be deposited in the Debt Service Reserve Fund a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee will draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (1) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of principal or Redemption Price of, or interest on, any Bonds and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Fund; (2) on the first Business Day which is at least ten days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Fund if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty (or the earlier maturity of all then Outstanding Bonds) is acquired prior to such date or the City deposits funds in the Debt Service Reserve Fund on or before such date such that the amount in the Debt Service Reserve Fund on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Fund pursuant to the Indenture, there is any amount in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, will be transferred to the Interest Account.

Rebate Fund. Each Supplemental Indenture authorizing a Series of Bonds which are Tax-Exempt Securities will establish an account in the Rebate Fund in connection with such Series. Each such account in the Rebate Fund will have such terms and conditions as provided in the Supplemental Indenture establishing such account.

Depositories. The Trustee will hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository will be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture will be a trust fund for the purposes of the Indenture.

Deposits. All moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the City, provided that such deposits permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Fiduciary will be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the City and acceptable to

such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Fiduciary will allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law. All moneys deposited with a Fiduciary will be credited to the particular Fund to which such moneys belong.

Investment of Certain Funds. Moneys held in the Debt Service Fund and the Redemption Fund will be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a) through (c) of the definition of "Permitted Investments" which mature not later than such times as necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Fund will be invested and reinvested by the Trustee to the fullest extent practicable in securities described in clauses (a), (b), (c), (g), (j) and (m) of the definition of "Permitted Investments" which mature, or which may be drawn upon without penalty at any time upon not more than two Business Days' notice, not later than five years from the time of such investment. Moneys held in the Expense Stabilization Fund may be invested and reinvested in Permitted Investments which mature, or which may be drawn upon without penalty at any time upon not more than two Business Days' notice, not later than ten years from the time of such investment. The Trustee will make all such investments of moneys held by it in accordance with directions of an Authorized City Representative, which directions must be consistent with the Indenture and applicable law, and which directions must be written. In the absence of any such written investment directions, the Trustee will, unless otherwise provided in the Indenture, invest such moneys in the money market funds described in clause (d) of the definition of "Permitted Investments."

Interest or other income earned on any moneys or investments in any Fund created under the Indenture will be paid into such Fund. In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, the Trustee may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined will be separately accounted for. Nothing in the Indenture prevents any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Fund will be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment will be credited to such Fund and any loss resulting from the liquidation of such investment will be charged to the respective Fund.

In computing the amount in the Debt Service Reserve Fund for any purpose under the Indenture, obligations purchased as an investment of moneys in the Debt Service Reserve Fund are to be valued at the amortized cost thereof.

Except as otherwise provided in the Indenture, the Trustee may sell or present for redemption, or otherwise liquidate any security purchased as an investment, and take all actions necessary to draw funds under any such investment, whenever necessary in order to provide moneys to meet any payment or transfer from any Fund held by it or in accordance with directories of an Authorized City Representative, which directions must be consistent with the Indenture and applicable law and which directions must be written. Any security purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee will not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment. The City has acknowledged that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City has specifically waived receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

COVENANTS AND OBLIGATIONS OF THE CITY

The City has covenanted with the Owners of the Outstanding Bonds and with each Credit Provider as set forth in the Indenture. Each of said covenants will remain in full force and effect so long as any of the Bonds are Outstanding and unpaid, any Credit Support Instrument remains outstanding and any Credit Provider Reimbursement Obligations remain unpaid.

Compliance with Indenture. The City will punctually pay the Bonds in strict conformity with the terms of the Indenture and the Bonds, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, which obligations are absolute and unconditional but which are special obligations of the City as provided in the Indenture.

Collection of Rates and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates and charges applicable to the Electric Service provided to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City may not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing in the Indenture prevents the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales do not relieve the City of its obligations under the Indenture.

Deposit and Application of Revenues. The City will deposit or cause to be deposited all Revenues into the Light and Power Fund upon receipt thereof. The City will apply Revenues for each Fiscal Year first to the payment of Operation and Maintenance Expenses then due and payable. The City will apply the remaining Revenues to the payment of amounts required to be paid in the Indenture then due and payable, and with respect to Parity Obligations other than Bonds, pursuant to the Issuing Instrument for such Parity Obligations. The City may then apply any remaining Revenues to any lawful purpose in connection with the Electric System, including the payment of amounts required to be paid pursuant to the Issuing Instruments for any Subordinate Obligations, the payment of Costs of Capital Improvements and, to the extent permitted by the Indenture, to transfers to the City's General Fund.

During each Fiscal Year, and subject to the provisions of the Indenture, the City may apply amounts in the Light and Power Fund, other than the Revenues for such Fiscal Year, to any lawful purpose as determined by the City; provided that so long as an Event of Default has occurred and is continuing, or the Trustee otherwise has control of amounts in the Light and Power Fund, no amounts may be paid from the Light and Power Fund except for Operation and Maintenance Expenses, amounts required to be paid in such Fiscal Year pursuant to the Indenture and the Issuing Instrument for any Parity Obligations or the Issuing Instruments for Subordinate Obligations, or when such payment has been certified by an Independent Engineer as being consistent with Prudent Utility Practice.

Creation of Prior Liens on Trust Estate. The City will not issue any bond, note or other evidence of indebtedness payable from or secured by the Trust Estate or any part thereof on a basis which is in any manner prior or superior to the lien on, pledge of and security interest in the Trust Estate securing the Outstanding Bonds pursuant to the Indenture; or except for Parity Obligations with respect to the Revenues and/or amounts in the Light and Power Fund, in any manner on a parity with the lien on, pledge of and security interest in the Revenues and amounts in the Light and Power Fund securing the Outstanding Bonds pursuant to the Indenture. Nothing in the Indenture prevents the City from issuing Subordinate Obligations in accordance with the Indenture.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event that any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien is reduced to final judgment and such judgment or any process as may be

issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part or rights of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to satisfy the requirements of the rate covenant that is described under the caption “SECURITY AND SOURCES OF PAYMENT—Rate Covenant.”

Operation and Maintenance of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times, operate the Electric System in an efficient and economical manner and pay all Operation and Maintenance Expenses as they become due and payable.

The City will prepare, not later than the last day of each Fiscal Year, a Budget for the Electric System approved by the City Council setting forth the estimated Revenues, Operation and Maintenance Expenses, scheduled Debt Service and other payments estimated to be paid from the Revenues and amounts in the Light and Power Fund during the next succeeding Fiscal Year. The Electric System Budget for any Fiscal Year may be amended at any time during such Fiscal Year provided that such amended Budget includes all payments coming due in such Fiscal Year with respect to Obligations payable from Revenues or amounts in the Light and Power Fund. In the event that the City fails to have a Budget approved by the City Council as required by the Indenture with respect to any Fiscal Year, then references in the Indenture to the amount of Operation and Maintenance Expenses included in the Budget as of any time will be deemed to be the Operation and Maintenance Expenses in the latest Budget approved by the City Council as adjusted for an inflation factor equal to 10% for each Fiscal Year from the approval of such Budget by the City Council to the applicable time of determination of the Operation and Maintenance Expenses included in the Budget.

Insurance. The City will procure and maintain such insurance relating to the Electric System which it deems advisable or necessary to protect its interests and the interests of the Trustee and the Owners of the Bonds, which insurance affords protection in such amounts and against such risks as are usually covered in connection with public electric utility systems similar to the Electric System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained under the Indenture must provide that the Trustee be given 30 days’ written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports.

(a) The City will keep appropriate accounting records in which complete and correct entries are made of all transactions relating to the Electric System, which records are available for inspection by the Trustee at reasonable hours and under reasonable conditions.

(b) The City will prepare and file with the Trustee annually within 180 days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008): (1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant’s Report thereon; and (2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may be lawfully imposed upon the Electric System or any part thereof when the same become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Electric System or any part thereof, but the City is not required to comply with any regulations or requirements so long as the validity or application thereof is contested in good faith and contesting such validity or application does not materially impair the operations or financial condition of the Electric System or the performance of the City under the Indenture and all Outstanding Bonds.

Tax Covenants.

(a) The City has covenanted it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-Exempt status of interest on any Bond under Section 103 of the Code. Without limiting the generality of the foregoing, the City will comply with the requirements of the Tax Certificate, if any, delivered in connection with the issuance of each Series of Bonds.

In the event that at any time the City is of the opinion that, in order to comply with the foregoing obligations, it is necessary or helpful to restrict or limit the yield on the investment of any moneys in any of the Funds held by the Trustee pursuant to the Indenture, the City will so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(b) Notwithstanding any provisions of the Indenture, if the City provides to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the Indenture or a Tax Certificate is no longer required or that some further or different action is required to maintain the Tax-Exempt status of the Bonds under Section 103 of the Code, the City and the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture and of the applicable Tax Certificate, and the covenants under the Indenture will be deemed to be modified to that extent.

(c) The foregoing covenants will survive payment in full or discharge of the Bonds.

AMENDMENTS TO INDENTURE

Amendments Permitted.

(a) Subject to the provisions of the Indenture or of any Supplemental Indenture, the rights and obligations of the City and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of the Indenture are satisfied, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of the Indenture. No such modification, amendment or supplement may: (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; (2) extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; (3) except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of the Indenture, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption; or (4) modify the rights or obligations of any Fiduciary without the consent of such Fiduciary.

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

Unless waived by the Owner of an affected Bond or Bonds, prior to the entry into any Supplemental Indenture by the City and the Trustee for any of the purposes of the Indenture, the City will cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice will

briefly set forth the nature of the proposed Supplemental Indenture and state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to the Indenture, the City has received an instrument or instruments in writing executed in accordance with the Indenture by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments refers to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and consents to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the City and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner has consented thereto.

(b) The Master Indenture or any Supplemental Indenture may be supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the City and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of the Owner of any Bond, to provide for the issuance of a Series of Additional Bonds or a Series of Refunding Bonds in accordance with the terms and conditions of the Master Indenture, and establishing the terms and conditions thereof, including the rights of any Credit Provider for such Additional Bonds or Refunding Bonds, which may include permitting such Credit Provider to act for and on behalf of the Owners of such Additional Bonds or Refunding Bonds for any or all purposes of the Indenture except that no such Credit Provider will be authorized to extend the fixed maturity of any Bond, or reduce the principal amount thereof, or reduce the amount of any Sinking Fund Installment therefor, or extend the due date of any such Sinking Fund Installment, or reduce the rate of interest on any Bond or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected; or except as otherwise provided with respect to a Bond constituting Tender Indebtedness in the Supplemental Indenture authorizing such Bond and subject to the satisfaction of the conditions of the Indenture, reduce the Redemption Price due on the redemption of any Bond or change the date or dates when any Bond is subject to redemption.

(c) The Master Indenture and any Supplemental Indenture and the rights and obligations of the City, the Fiduciaries and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the City and the Trustee may enter into with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement but without the consent of any Owners of Bonds (but with the consent of any affected Fiduciary), so long as such modification, amendment or supplement does not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, or to surrender any right or power in the Indenture reserved to or conferred upon the City;

(2) to pledge, provide or assign any additional security for the Bonds (or any portion thereof), including transferring control of the amounts in the Light and Power Fund to the Trustee; provided that if the City transfers control of the amounts in the Light and Power Fund to the Trustee, the Trustee will return such control at the request of the City only if no Event of Default has occurred and is continuing and if such return has been consented to by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement;

(3) to add to the covenants and agreements of the City contained in the Master Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the City;

(4) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Master Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture, as the City may deem necessary or desirable; or

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

(d) Notwithstanding anything to the contrary in the Indenture, the provisions of the Master Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in clause (a) above, without the consent of the Owners of Bonds constituting Tender Indebtedness if either: (1) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture; or (2) the notice described in the third paragraph of clause (a) is given to Owners of such Bonds at least 30 days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(e) If the Supplemental Indenture authorizing the issuance of a Series of Bonds provides that a Credit Provider for all or any portion of the Bonds of such Series has the right to consent to Supplemental Indentures which require the consent of the Owners of the Bonds of such Series pursuant to the Indenture, then for the purposes of sending notice of any proposed Supplemental Indenture and for determining whether the Owners of the requisite percentage of Bonds have consented to such Supplemental Indenture, but subject to the provisions of the Indenture, references to the Owners of such Bonds will be deemed to be to the applicable Credit Provider.

(f) For purposes of the Indenture, it is not necessary that consents of the Owners of any particular percentage of Outstanding Bonds of any affected Series be obtained but it is sufficient for purposes of the Indenture if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds is obtained.

(g) Notwithstanding anything to the contrary contained in the Indenture, if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (1) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (2) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least 30 days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the City and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the City, the Fiduciaries and all Owners of Outstanding Bonds will thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Except for Supplemental Indentures requiring the consent of such Owner pursuant to the Indenture, upon the City and the Trustee entering into any Supplemental Indenture pursuant to the Indenture, no Owner of any Bond has any right to object to the entry into such Supplemental Indenture by the City and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the City or the Trustee from entering into the same or to enjoin or restrain the City or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

Bonds Owned by City. For purposes of the Indenture, Bonds owned or held by or for the account of the City, or any funds of the City, will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and the City is not entitled with respect to such Bonds to give any consent or take any other action provided for in the Indenture as an Owner of Bonds. At the time of any consent or other action taken under the Indenture, the City will furnish the Trustee a certificate of an Authorized City Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the City and the Trustee as provided in the Indenture may bear a notation by endorsement or otherwise in a form approved by the City as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation will be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

CONCERNING THE FIDUCIARIES

Trustee; Acceptance of Duties. The Trustee will signify its acceptance of the duties and obligations imposed upon it by the Indenture, including the duties of Paying Agent for the Bonds, by the execution and the delivery of the Master Indenture to the City and by such execution and delivery the Trustee will be deemed to have accepted such duties and obligations with respect to all the Bonds thereafter to be issued, but only, however, upon the terms and conditions set forth in the Indenture, and no implied covenants may be read into the Indenture against the Trustee.

Paying Agents; Appointment and Acceptance of Duties. The City has appointed the Trustee as a Paying Agent for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Indenture as an additional Paying Agent for the Bonds of one or more Series. Each Paying Agent other than the Trustee will signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the City and to the Trustee a written acceptance thereof. The Principal Offices of the Paying Agents are designated as the respective offices or agencies of the City for the payment of the principal and any applicable Redemption Price of the Bonds.

Responsibilities of Fiduciaries.

(a) Any recitals of fact contained in the Indenture and in the Bonds will be taken as the statements of the City and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture or of any Bonds issued thereunder or as to the security afforded by the Indenture, and no Fiduciary will incur any liability in respect thereof. No Fiduciary will be responsible for or have any liability with respect to the Electric System or any act or omission of the City with respect thereto. The Trustee is, however, responsible for its representation contained in its certificate of authentication on the Bonds. No Fiduciary is under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture. No Fiduciary is under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the Indenture, no Fiduciary will be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

(b) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured) the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely will be subject to the provisions of the Indenture.

Without limiting the generality of the foregoing:

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

(2) The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of a Credit Provider or a Reserve Financial Guaranty Provider or the Owners of 25% in aggregate principal amount of the Outstanding Bonds 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 the Indenture.

(3) No provision of the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(4) The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners, a Credit Provider or a Reserve Financial Guaranty Provider pursuant to the Indenture (except for declaring an acceleration of the Bonds or requesting credit and/or liquidity support pursuant to a Credit Support Instrument), unless such Owners, such Credit Provider or such Reserve Financial Guaranty Provider have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(5) The Trustee is not bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon, facsimile transmission, electronic mail or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it will be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(6) The Trustee is not required to take notice of and will not be deemed to have knowledge of any Event of Default (other than a payment or covenant Event of Default specified in the Indenture) or any event which would, with the passage of time, the giving of notice, or both, constitute an Event of Default, unless the Trustee has been notified of such Event of Default or other event by the City, a Credit Provider or a Reserve Financial Guaranty Provider, or the Owners of 10% in aggregate principal amount of Bonds Outstanding.

(7) The Trustee is not responsible for any moneys or funds held by the City), or for monitoring the accounting and investment practices of the City, other than requiring the delivery of the Annual Budget and annual financial statements and reports pursuant to the Indenture.

(8) The Trustee may perform its duties under the Indenture through agents and attorneys and the Trustee is not liable for the negligence or misconduct on the part of any agent or attorney appointed with due care by it under the Indenture if the City has a right to proceed directly against such agent or attorney for any such negligence or misconduct.

(9) In no event will the Trustee be liable for any failure or delay in the performance of its obligations under the Indenture because of circumstances beyond its control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, government action, including any laws, ordinances, regulations, governmental action or the like which delay, restrict or prohibit the providing of services contemplated by the Indenture.

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

(11) The Trustee has agreed to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however,

that, the Trustee has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee is not liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. The City has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(12) Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(13) The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses will survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted in the Indenture to the Trustee will extend to the directors, officers, employees and agents of the Trustee.

Whether or not therein expressly provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the foregoing provisions.

Evidence on Which Fiduciaries May Act.

(a) Each Fiduciary, upon receipt of any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Indenture, will examine such instrument to determine whether it conforms to the requirements, if any, of the Indenture and will be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be Bond Counsel or counsel to the City, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

(b) Whenever any Fiduciary deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a certificate of an Authorized City Representative, and such certificate will be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in the Indenture, any request, requisition, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Indenture by the City to any Fiduciary will be sufficiently executed in the name of the City by an Authorized City Representative.

Compensation. The City will cause to be paid to each Fiduciary from time to time reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Indenture; provided, however, that so long as any Bonds remain Outstanding or any amounts due to a Credit Provider under a Credit Support Agreement or a Reserve Financial

Guaranty Provider under a Reserve Financial Guaranty, no Fiduciary will have a lien therefor on any and all funds at any time held by it under the Indenture. Subject to the provisions of the Indenture, the City has further agreed to indemnify and save each Fiduciary harmless against any losses, expenses (including legal fees and expenses) and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture or in any way arising out of the Electric System or the transactions contemplated by the Indenture, and which are not due to its negligence or willful misconduct.

Certain Permitted Acts. Any Fiduciary may become the Owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of or in any other capacity with respect to, any committee formed to protect the rights of the Owners of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Indenture, whether or not any such committee represents the Owners of a majority in principal amount of the Bonds then Outstanding.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the City, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation will take effect; provided that no such resignation will take effect until a successor has been appointed in accordance with the Indenture.

Removal of Trustee. The Trustee may be removed: (a) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized City Representative and filed with the Trustee; or (b) with the consent (to the extent required by a Supplemental Indenture) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the City; or (c) with the consent (to the extent required by a Supplemental Indenture,) of each Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized City Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal will be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor has been appointed in accordance with the Indenture.

Appointment of Successor Trustee; Financial Qualifications of Successor Trustee.

(a) In case at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property is appointed, or if any public officer takes charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the City, with (to the extent required by a Supplemental Indenture) the consent of each Credit Provider and each Reserve Financial Guaranty Provider, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of the Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee has been appointed by the Owners of the Bonds as aforesaid, the City, by a duly executed written instrument signed by an Authorized City Representative will forthwith appoint a Trustee to replace such resigning Trustee or to fill such vacancy until a successor Trustee is appointed by the Owners of the Bonds as authorized in the Indenture. Any successor Trustee appointed by the City will, immediately and without further act, be superseded by the Trustee appointed by the Owners of the Bonds. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

(b) If in a proper case no appointment of a successor Trustee is made pursuant to the foregoing provisions of the Indenture within 45 days after the Trustee has given to the City written notice as provided in the Indenture or after a vacancy in the office of the Trustee has occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under the Indenture) or the Owner of any

Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) The Trustee appointed under the provisions of the Indenture or any successor to the Trustee must be a bank or trust company organized under the laws of any state of the United States or national banking association, doing business and having its principal corporate trust office in New York, New York, or Chicago, Illinois, or Los Angeles, California, or San Francisco, California, duly authorized to exercise trust powers and subject to examination by federal or state authority. Each successor Trustee will have capital stock and surplus aggregating at least \$50,000,000, or have all of its obligations under the Indenture guaranteed by a bank or trust company organized under the laws of the United States, or any state thereof, with a capital stock and surplus or net worth of \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of the Indenture the combined capital and surplus of such bank, trust company, or national banking association will be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the Indenture will execute, acknowledge and deliver to its predecessor Trustee and the City an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, will become fully vested with all moneys, estates, properties, rights, power, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act will nevertheless, at the written request of the City, or of the successor Trustee, execute, acknowledge, deliver, file and record such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Indenture or covered by the pledge of the Indenture, and will pay over, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions in the Indenture set forth. Should any deed, conveyance or instrument in writing from the City be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such lien, estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing will, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the City. Any such successor Trustee will promptly notify the Paying Agents of its appointment as Trustee.

Merger or Consolidation. Any company into which a Fiduciary 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 is a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided that such company is a bank or trust company organized under the laws of any state of the United States or a national banking association, will satisfy the applicable standards of a successor set forth in the Indenture, and will be authorized by law to perform all the duties imposed upon it by the Indenture, will be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Adoption of Authentication. In case any of the Bonds contemplated to be issued under the Indenture have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the said Bonds have not been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate will have the full force which it is anywhere in said Bonds or provided in the Indenture that the certificate of the Trustee has.

Resignation or Removal of Paying Agent and Appointment of Successor.

(a) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days written notice to the City, the Trustee, each Credit Provider, each Reserve Financial Guaranty Provider and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized City Representative. Any successor Paying Agent will be appointed by the City with the approval of the Trustee (and each Credit Provider and

each Reserve Financial Guaranty Provider required by a Supplemental Indenture) and will be a commercial bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of the Indenture the combined capital and surplus of such bank, trust company, or national banking association will be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent will pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there is a vacancy in the office of any Paying Agent, the Trustee will act as such Paying Agent.

DEFEASANCE

Payment of Bonds.

(a) If the City pays, or cause to be paid, or there is otherwise paid, to the Owners of all Bonds the principal amount or any redemption premium, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the City under the Indenture, including all fees and expenses of the Trustee, then and in that case, subject to the provisions of clause (b) below, the Indenture, and the pledge of and lien on the Trust Estate thereunder and all covenants, agreements and obligations of the City contained therein, will cease and terminate and be completely discharged and satisfied and the City will be released therefrom and the Trustee will assign and transfer to or upon the order of the City all property (in excess of the amounts required for the foregoing) then held by the Trustee thereunder free and clear of any liens or encumbrances thereon pursuant to the Indenture and will execute such documents as may be reasonably required by the City in such regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the City of the tax covenants contained in the Indenture and the duties of the Trustee in connection with all of the foregoing, will remain in effect and be binding upon the City, the Trustee and the Owners and the Trustee will continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee will remain in effect and be binding upon the Trustee and the City.

Bonds Deemed Paid. Bonds (or portions of Bonds) for the payment or redemption of which moneys have been set aside and will be held in trust by an Escrow Agent at the maturity date, redemption date or other date when the Owner is entitled to receive the principal thereof, as applicable, will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to the Indenture are in an Authorized Denomination) will prior to the maturity, redemption date or other payment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture (except that the obligations under the Indenture set forth clause (b) above under the caption “—Payment of Bonds” and the giving of the notices of the redemption of Bonds to be redeemed as provided in the Indenture will continue) if: (a) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the City has given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the Indenture; (b) there has been deposited with an Escrow Agent either moneys in an amount which are sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, are sufficient, in each case as evidenced by an

Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date, maturity date or other payment date thereof; as the case may be; and (c) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by clause (b) above, the City has given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by clause (b) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with the Indenture and stating such date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (c) above with respect to Bonds which constitute less than all of the Outstanding Bonds of any Series and maturity will specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (c) above with respect to less than the full principal amount of a Bond must specify the principal amount of such Bond which is deemed paid pursuant to the Indenture and notify the Owner of such Bond that such Bond must be surrendered as provided therein. The receipt of any notice required by the Indenture is not a condition precedent to any Bond being deemed paid in accordance with the Indenture and the failure of any Owner to receive any such notice will not affect the validity of the proceedings for the payment of Bonds in accordance with the Indenture. Neither Defeasance Securities nor moneys deposited with an Escrow Agent pursuant to the Indenture, nor principal or interest payments on any such Defeasance Securities, will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Defeasance Securities deposited with an Escrow Agent: (1) to the extent that such cash is not required at any time for such payment, as evidenced by an Accountant's Certificate, will be paid over upon the written direction of an Authorized City Representative, including a transfer to the City free and clear of any trust, lien, pledge or assignment securing said Bonds; and (2) to the extent such cash is required for such payment at a later date, will, to the extent practicable, at the written direction of an Authorized City Representative, be reinvested in Defeasance Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, are sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds and the interest to become due on said Bonds on and prior to such redemption date, maturity date or other payment thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture prevents the City from substituting for the Defeasance Securities held for the payment or redemption of Bonds (or portions thereof) other Defeasance Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, are sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Defeasance Securities for such purpose provided that the City delivers to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the Indenture, the Trustee must receive a Rating Confirmation from each Rating Agency.

Defeasance of Portion of Bond. Subject to the provisions of the Indenture, if there is deemed paid pursuant to the Indenture less than all of the full principal amount of a Bond, the City will execute and the Trustee will authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the Indenture and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like Series, maturity and other terms, and in any of the Authorized Denominations.

Discharge of Liability on Bonds. Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Defeasance Securities in the necessary amount (as provided in the Indenture) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has have been made for giving such notice), all liability of the City in respect of such Bonds will cease, terminate and be completely discharged, except that the City will remain liable for such payment but only from, and the Bondowners will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity

date, as applicable) out of, the money and Defeasance Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of the Indenture; provided that no Bond which constitutes Tender Indebtedness will be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Defeasance Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Each of the following constitute an Event of Default under the Indenture: (a) if default is made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond when and as the same become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise; (b) if default is made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Outstanding Bonds, and such default continues for a period of 120 days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than 10% in principal amount of the Bonds Outstanding; provided, however, if such default is such that it can be corrected by the City but not within the applicable period specified above, it will not constitute an Event of Default if corrective action is instituted by the City within 30 days of the City's receipt of the notice of the default required by the Indenture and diligently pursued until the default is corrected; (c) an Event of Bankruptcy has occurred and is continuing with respect to the City; or (d) an event of default (as defined in the applicable Issuing Instrument) has occurred and is continuing with respect to any Parity Obligation.

Accounting and Examination of Records After Default. The City has covenanted that if an Event of Default has happened and has not been remedied, the books of record and accounts of the City and all other records relating to the Electric System will at all times be subject to the inspection and use of the Trustee and of its agents and attorneys. The City has covenanted that if an Event of Default has happened and has not been remedied, the City, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as stated in such demand.

Application of Revenues and Other Moneys After Default.

(a) Notwithstanding anything to the contrary contained in the Indenture, the City has covenanted that if an Event of Default happens and has not been remedied, the City, upon the demand of the Trustee, will cause control of amounts in the Light and Power Fund to be transferred to the Trustee and will cause to be paid over to the Trustee by the first Business Day of each month, all Revenues received by the City with respect to the preceding month.

(b) During the continuance of an Event of Default, the Trustee will apply all Revenues and amounts in the Light and Power Fund received by or available to the Trustee pursuant to any right given or action taken under the provisions of the Indenture, in the following order of priority: First: To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, including reasonable fees of counsel, and the payment of the reasonable and proper charges, expenses and liabilities of the fiduciaries for Parity Obligations, including reasonable fees of counsel. Second: To the payment of the Operation and Maintenance Expenses. Third: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds, and the principal and redemption price of and interest on the other Outstanding Parity Obligations, then due and payable; provided however, that in the event the amount of Net Revenues and amounts in the Light and Power Fund available for such payment are not sufficient to make all the payments required by the Indenture, the Trustee will apply the Net Revenues and available amounts in the Light and Power Fund to the payment of the principal and Redemption Price of and interest on all Outstanding Parity Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination on preferences. Fourth: To the payment of any Termination Payments due and payable under the Qualified Swap Agreements; provided however, that in the event the amount of Net Revenues and available amounts in the Light and Power Fund are not sufficient to make all the payments required by the Indenture with respect to all Qualified Swap Agreements, the Trustee will apply the Net Revenues and available amounts in the Light and Power Fund to the payment of the Termination Payments then due and payable under all Qualified Swap Agreements ratably (based on the respective amounts to be paid), without any discrimination on preferences. Fifth:

To the transfer to the Debt Service Reserve Fund for the Bonds and to each debt service reserve fund for other Outstanding Parity Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Fund equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Parity Obligations equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that in the event that the amount of Net Revenues and amounts in the Light and Power Fund available for such payment are not sufficient to make all the payments required by the Indenture, the Trustee will apply the Net Revenues and available amounts in the Light and Power Fund to the transfer to the Debt Service Reserve Fund and each debt service reserve fund for other Outstanding Parity Obligations ratably (based on the respective amounts to be paid), without any discrimination or preferences. Sixth: To the payment of amounts due with respect to outstanding Subordinate Obligations (which do not include Termination Payments for Qualified Swap Agreements) in accordance with the provisions of the Issuing Instrument pursuant to which such Subordinate Obligations have been issued.

(c) In the event that on any date all payments required to be made from Net Revenues and amounts in the Light and Power Fund available for such payment are not made in full as required by the Indenture, then no payment will be made which has a priority under the Indenture lower than the delinquent payment until all delinquent payments with a higher priority have been made in full.

(d) If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Parity Obligations, together with the reasonable and proper fees, charges, expenses and liabilities of the Trustee and any other fiduciary for Parity Obligations, including reasonable fees of counsel, and all other sums payable for the account of the City under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Parity Obligations and unpaid interest on all Outstanding Bonds and Outstanding Parity Obligations which are then payable, will be paid for by the account of the City, or provision satisfactory to the Trustee is made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Parity Obligation are made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate is made therefor, the Trustee, at the request of the City and with the consent of the Owners of a majority in aggregate principal of the Bonds then Outstanding and with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, will transfer control of amounts in the Light and Power Fund to the City and pay over all unexpended Revenues in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the City and the Trustee will be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the City and the Trustee to their former positions and rights will extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

(e) The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction or consent to the Trustee.

Right to Accelerate Upon Default. Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, and will, at the direction of the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the City) by written notice to the City, declare the principal of the Outstanding Bonds and the interest thereon to be immediately due and payable, whereupon such principal and interest will, without further action, become and be immediately due and payable.

Appointment of Receiver. If an Event of Default happens and has not been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee is entitled to make application for the appointment of a receiver or custodian of the Revenues and amounts in the Light and Power Fund, pending such proceedings, with such power as the court making such appointment confers.

Enforcement Proceedings.

(a) If an Event of Default happens and has not been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, proceed, and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding (other than Bonds owned by or on behalf of the City), with the consent of each Credit Provider whose consent is required by a Supplemental Indenture or a Credit Support Agreement, after receiving indemnification satisfactory to it as set forth in clause (d) below, will proceed to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Trust Estate granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, deems most effectual to enforce any of its rights or to require the City to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee will be brought in its own name as trustee of an express trust.

(c) If an Event of Default occurs and is continuing, upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee will be entitled to exercise any and all rights and powers conferred in the Indenture and otherwise provided by law to be exercised by the Trustee as the trustee of an express trust.

(d) Regardless of the happening of an Event of Default, the Trustee has power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, is under no obligation to, institute and maintain such suits and proceedings as it may be advised are necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised are necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

(e) If the Trustee or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner or Owners, then and in every such case the City, the Trustee and the Owners will, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Owners will continue as though no such proceeding had been instituted.

Restriction on Owner's Action.

(a) Except as otherwise provided in clause (b) below, no Owner of any Bond has any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy given under the Indenture or existing at law or in equity or by statute unless such Owner has previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee, and have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture.

(b) Nothing contained in the Indenture or in the Bonds affects or impairs the obligation of the City, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Net Revenues, amounts in the Light and Power Fund available for such payment in accordance with the Master Indenture and the amounts in the Funds, other than the Rebate Fund, held by the Trustee under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment from such sources.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Master Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, does not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default will impair any right or power or be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

(b) The Owners of not less than 60% in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, waive any Event of Default and its consequences. No such waiver will extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of the Indenture have been satisfied with respect to such subsequent Event of Default.

Notice of Default. The Trustee will, within 30 days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address appearing in the Bond Register.

MISCELLANEOUS

Execution of Documents and Proof of Ownership. Any request, direction, consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Owners of Bonds 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 appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds will be sufficient for any purpose of the Indenture (except as otherwise provided in the Indenture), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be provided by a signature guarantee of any bank or trust company located within the United States of America. 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 signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond, the Person in whose name the same is registered in the Bond Register will be deemed and regarded as the absolute owner for all purposes. None of the City, the Trustee or any Paying Agent will be affected by any notice to the contrary.

(c) Nothing contained in the Indenture will be construed as limiting the City or the Trustee to such proof, it being intended that the City or the Trustee may accept any other evidence of the matters stated in the

Indenture which the City or the Trustee may deem sufficient. Any request or consent of the Owner of any Bond will bind every future Owner of the same Bond in respect to anything done or suffered to be done by the City or the Trustee in pursuance of such request or consent.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any Person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture, and the application of any such covenant, agreement or provision, or portion thereof; to other Persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture and the Bonds will remain valid, and the Owners of the Bonds will retain all valid rights and benefits accorded to them under the Indenture, the Charter, and the Constitution and statutes of the State.

General Authorization. The Authorized City Representatives, each acting singly, have been respectively authorized to do and perform from time to time any and all acts and things consistent with the Indenture necessary or appropriate to carry the same into effect.

Moneys Held for Particular Bonds. Except as otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the amounts held by the Trustee, any Paying Agent or any Escrow Agent for the payment of principal, premium if any, Purchase Price or interest due on any date with respect to particular Bonds of such Series will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto. None of the City, the Trustee, any Paying Agent or any Escrow Agent will be liable to any Owner for interest on amounts so held in trust.

Credit Providers.

(a) Except as limited by the Indenture, a Supplemental Indenture authorizing a Series of Bonds may provide that any Credit Provider providing a Credit Support Instrument with respect to Bonds of such Series may exercise any right under the Master Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds given to the Owners of the Bonds to which such Credit Support Instrument relates in lieu of such Owners.

(b) All provisions under the Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Credit Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, will be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and will be read as if the Credit Provider were not mentioned therein: (1) during any period during which there is a default by such Credit Provider under the applicable Credit Support Instrument; or (2) after the applicable Credit Support Instrument will for any reason cease to be valid and binding on the Credit Provider, or be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Credit Support Instrument has been rescinded, repudiated or terminated (other than in accordance with its terms), or after a receiver, conservator or liquidator has been appointed for the Credit Provider; provided, however, that the payment of amounts due or that may become due (including without limitation all indemnity payments) to the Credit Provider or any other person identified under such Credit Provider's Credit Support Agreement pursuant to the terms of the Master Indenture, any Supplemental Indenture and/or such Credit Support Agreement will continue in full force and effect. The foregoing does not affect any other rights of a Credit Provider, including rights as the Owner of a Credit Provider Bond.

(c) All provisions in the Indenture relating to the rights of a Credit Provider will be of no force and effect if there is no Credit Support Instrument in effect and all amounts owing to the Credit Provider under the Credit Support Agreement have been paid.

Reserve Financial Guaranty Providers.

(a) All provisions under the Master Indenture or a Supplemental Indenture authorizing the exercise of rights by a Reserve Financial Guaranty Provider with respect to Bonds of a Series, including without limitation actions relating to consents, approvals, directions, waivers, appointments and requests, will be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and will be read as if the Reserve Financial Guaranty Provider were not mentioned therein: (1) during any period during which there is a

default by such Reserve Financial Guaranty Provider under the applicable Reserve Financial Guaranty; or (2) after the applicable Reserve Financial Guaranty will for any reason cease to be valid and binding on the Reserve Financial Guaranty Provider, or will be declared to be null and void by final judgment of a court of competent jurisdiction, or after the Reserve Financial Guaranty has been rescinded, repudiated or terminated, or after a receiver, conservator or liquidator has been appointed for the Reserve Financial Guaranty Provider; provided, however, that the payment of amounts due (including without limitation all indemnity payments) to the Reserve Financial Guaranty Provider pursuant to the terms of the Master Indenture, any Supplemental Indenture, and/or any Reserve Financial Guaranty will continue in full force and effect. The foregoing will not affect any other rights of a Reserve Financial Guaranty Provider.

(b) All provisions in the Indenture relating to the rights of a Reserve Financial Guaranty Provider will be of no force and effect if there is no Reserve Financial Guaranty in effect issued by such Reserve Financial Guaranty Provider and all amounts owing to such Reserve Financial Guaranty Provider under the Reserve Financial Guaranty have been paid.

No Recourse on Bonds. Neither the members of the City nor the officers or employees of the City are individually liable on the Bonds or in respect of any undertakings by the City under the Master Indenture, any Supplemental Indenture or any Bond.

Unclaimed Moneys. Anything in the Master Indenture or any Supplemental Indenture to the contrary notwithstanding, any moneys held by the Trustee, an Escrow Agent or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates, tender for purchase or by call for redemption, if such moneys were held by the Trustee, an Escrow Agent or a Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee, an Escrow Agent or a Paying Agent after the date when such Bonds or the Purchase Price thereof became due and payable, will be repaid by such Trustee, Escrow Agent or Paying Agent to the City, as its absolute property and free and clear of any trust, lien, pledge or assignment securing said Bonds, and such Trustee, Escrow Agent or Paying Agent will thereupon be released and discharged with respect thereto and the Owners of such Bonds will look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City, the Trustee, the Escrow Agent or the Paying Agent, as applicable, will, at the expense of the City, mail, postage prepaid to the Owners of such Bonds, at the last address appearing upon the Bond Register a notice that said moneys remain unclaimed and that, after a date named in said notice, which date is not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in any Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in a Supplemental Indenture, no interest will accrue for the period after such nominal date.

Governing Law. The Indenture and each Bond will be interpreted, governed by and construed for all purposes in accordance with the laws of the State for contracts executed and to be performed in the State.

Preservation and Inspection of Documents. All documents received by the Trustee, any Paying Agent or any Escrow Agent under the provisions of the Indenture will be retained in its possession and will be subject at all reasonable times to the inspection by the City, the Trustee, any Credit Provider and any Owner of an Outstanding Bond and their agents and their representatives, any of whom may make copies thereof

Parties Interested. Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give to, any Person, other than the City, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Indenture contained by the City will be for the sole and exclusive benefit of the City, the Trustee, each Paying Agent, each Escrow Agent, the Credit Providers, the Reserve Financial Guaranty Providers and the Owners of the Bonds.

[SUMMARY OF FIFTH SUPPLEMENTAL RESOLUTION TO COME FROM BOND COUNSEL].

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

March __, 2020

City of Vernon
Vernon, California

Re: City of Vernon Electric System Revenue Bonds, 2020 Series A

Members of the City Council:

We have examined a certified copy of the record of the proceedings of the City of Vernon (the “City”) relative to the issuance of the \$_____ City of Vernon Electric System Revenue Bonds, 2020 Series A (the “2020 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchaser of the 2020 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2008, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020 (collectively, the “Indenture”). The 2020 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2020 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2020 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the City show lawful authority for the issuance and sale of the 2020 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the City. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2020 Bonds and the Indenture are valid and binding obligations of the City enforceable against the City in accordance with their terms.

2. The obligation of the City to make the payments of principal of and interest on the 2020 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the City and does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with

respect to such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2020 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2020 Bond owner will increase the 2020 Bond Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the 2020 Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020 Bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds are based upon certain representations of fact and certifications made by the City and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that such interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement ends as of the date of issuance of the 2020 Bonds. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2020 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2020 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2020 Bonds or other offering material relating to the 2020 Bonds and expressly disclaim any duty to advise the owners of the 2020 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 Bonds 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 2020 Bond will be issued for each annual maturity of the 2020 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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 is rated AA+ by Standard & Poor's. 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.

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bonds ("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 2020 Bonds 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 bonds representing their ownership interests in 2020 Bonds, except in the event that use of the book entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds 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 2020 Bonds 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds 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.

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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bonds documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit 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.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2020 Bonds 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 Bonds 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 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, the 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 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.

A 2020 Bond Owner shall give notice to elect to have its 2020 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2020 Bond by causing the Direct Participant to transfer the Participant's interest in the 2020 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2020 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2020 Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2020 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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, 2020 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2020 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2020 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon issuance of the 2020 Bonds, the City proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by and between the City of Vernon (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., in its capacity as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of the City of Vernon Electric System Revenue Bonds, 2020 Series A in an aggregate principal amount of \$____ (the “**Bonds**”). The Bonds are being issued by the City pursuant to the provisions of that certain Indenture of Trust, dated as of September 1, 2008, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as amended and supplemented, including as supplemented by the Fifth Supplemental Indenture of Trust, dated as of March 1, 2020 (collectively, the “**Indenture**”). The City and the Dissemination Agent hereby certify, covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized terms used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean each April 1 after the end of the City’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Beneficial Owner*” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean, initially, The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the City and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Listed Events*” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement dated March __, 2020, relating to the Bonds.

“*Participating Underwriter*” shall mean Goldman Sachs & Co. LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2020 with the Annual Report for fiscal year 2018-19, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement; provided that the filing of the Official Statement with the MSRB shall constitute compliance with this obligation for the first Annual Report Date. Not later than 15 calendar days prior to such date, the City shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the City. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the City may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. 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(a). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City in a timely manner shall send to the MSRB a notice in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall:

1. provide any Annual Report received by it to the MSRB by the date required in subsection (a);
2. file a report with the City and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
3. take any other actions as are mutually agreed upon between the Dissemination Agent and the City.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of Public Utilities Department of the City (Vernon Public Utilities) for the prior fiscal year, which include information regarding the funds and accounts of the Electric System, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available at the time that 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) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE ELECTRIC SYSTEM”:

1. Resources Used to Satisfy City Load Requirements; and

2. Average Billing Price (Cents per Kilowatt Hour).

(c) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption "ELECTRIC SYSTEM FINANCIAL INFORMATION":

1. Customers, Retail Sales, Revenues and Demand; and
2. Historical Revenues, Expenses and Debt Service Coverage Under Indenture.

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, that are available to the public on the MSRB's Internet website or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

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. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
6. Tender offers.
7. Defeasances.
8. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

1. Unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
2. Modifications to the rights of Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the City and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall act as Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, 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 the City or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver: (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The City shall describe any amendment to this Disclosure Agreement in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provisions of this Disclosure Agreement, any Participating Underwriter or any holder or Beneficial Owner of the Bonds, or the Trustee on behalf of the holders of the Bonds, 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 Agreement. A default under this Disclosure Agreement shall not be deemed to be a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as described hereunder, if any, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of

any notice or Annual Report prepared by the City pursuant to this Disclosure Agreement. The City shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the Dissemination Agent (if other than the City) and to the City as follows:

City:	City of Vernon 4305 South Santa Fe Avenue Vernon, California 90058 Attention: City Administrator
Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust Reference: City of Vernon 2020 Electric Bonds

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: March __, 2020

CITY OF VERNON

By: _____
City Administrator

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

By: _____
Authorized Signatory

EXHIBIT E

EXHIBIT E

DEBT MANAGEMENT POLICY

This Debt Management Policy (the “Debt Policy”) of the City of Vernon (the “City”) was approved by the City Council on February 18, 2020. The Debt Policy was also approved by the City Council as Successor Agency (such entity being referred to herein as the “related entity”). The Debt Policy may be amended by City Council or the related entity as deemed appropriate from time to time in the prudent management of the debt of the City.

This Debt Policy will also apply to any debt issued by any other related entity of the City, for which the governing body consists of the same individuals as the City Council of the City.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the City of Vernon or its related entities and is intended to comply with Government Code Section 8855(i), effective on January 1, 2017. The main objectives are to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City’s interest and issuance costs; to maintain the highest possible credit rating; to comply with continuing disclosure undertakings; and to maintain financial flexibility for the City.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the City’s effort to allocate limited resources to provide the highest quality of service to the public. The City understands that poor debt management can have ripple effects that hurt other areas of the City. On the other hand, a properly managed debt program promotes economic growth and enhances the vitality of the City of Vernon for its residents and businesses.

1. Definitions

As used in this Debt Policy, “City” shall mean the City and/or the City and its related entities, as the context may require.

As used in this Debt Policy, “debt” shall be interpreted broadly to mean bonds, notes, certificates of participation, financing leases, or other financing obligations, but the use of such term in this Debt Policy shall be solely for convenience and shall not be interpreted to characterize any such obligation as an indebtedness or debt within the meaning of any constitutional debt limitation where the substance and terms of the obligation comport with exceptions thereto.

2. Findings

This Debt Policy shall govern all debt undertaken by the City. The City hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the City’s sound financial position.
- Ensure the City has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the City’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the City.

- Ensure that the City's debt is consistent with the City's planning goals and objectives and capital improvement program or budget, as applicable.
- Encourage those that benefit from a facility/improvement to pay the cost of that facility/improvement without the need for the expenditure of limited general fund resources.

3. Policies

A. Purposes For Which Debt May Be Issued

The City will consider the use of debt financing primarily for capital improvement projects (CIP) when the term of the financing does not exceed the term specified in Section 3.A.(i)(c) of this Debt Policy, to assure that long-term debt is not issued to finance projects with a short useful life, and when resources are identified sufficient to fund the debt service requirements. An exception to this CIP driven focus is the issuance of short-term instruments such as tax and revenue anticipation notes, which are to be used for prudent cash management purposes and conduit financing, as described below. Bonded debt should not be issued for projects with minimal public benefit or support, or to finance normal operating expenses.

If a department has any project which is expected to use debt financing, the department director is responsible for expeditiously providing the City Administrator and the Director of Finance with reasonable cost estimates, including specific revenue accounts that will provide payment for the debt service. This will allow an analysis of the project's potential impact on the City's debt capacity and limitations. The department director shall also provide an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and/or operated by the City.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the City and its taxpayers and ratepayers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The City may use long-term debt financings subject to the following conditions:

- The project to be financed has been or will be approved by the City Council.

- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the City to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
- The City estimates that sufficient income or revenues will be available to service the debt through its maturity.
- The City determines that the issuance of the debt will comply with the applicable requirements of state and federal law.
- The City considers the improvement/facility to be of vital, time-sensitive need of the community and there are no plausible alternative financing sources.

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least four (4) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than four (4) percent or negative savings will be considered on a case-by-case basis, and are subject to City Council approval.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs in the form of Tax and Revenue Anticipation Notes (TRAN).

Short-term borrowing and lines of credit will be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the City Council determines that extraordinary circumstances exist, must not exceed seven (7) years.

Short-term debt may also be used to finance short-lived capital projects; for example, the City may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The City may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of City. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein. In no event will the City incur any liability or assume responsibility for payment of debt service on such debt.

B. Types of Debt

In order to maximize the financial options available to benefit the public, it is the policy of the City of Vernon to allow for the consideration of issuing all generally accepted types of debt, including,

but not exclusive to the following:

- General Obligation (GO) Bonds: General Obligation Bonds are suitable for use in the construction or acquisition of improvements to real property that benefit the public at large. Examples of projects include libraries, parks, and public safety facilities. All GO bonds shall be authorized by the requisite number of voters in order to pass.
- Revenue Bonds: Revenue Bonds are limited-liability obligations tied to a specific enterprise or special fund revenue stream where the projects financed clearly benefit or relate to the enterprise or are otherwise permissible uses of the special revenue. An example of projects that would be financed by a Revenue Bond would be improvements to the water system, which would be paid back with charges to water customers. Generally, no voter approval is required to issue this type of obligation but in some cases, the City must comply with proposition 218 regarding rate adjustments.
- Lease-Backed Debt/Certificates of Participation (COP): Issuance of Lease-backed debt is a commonly used form of debt that allows a City to finance projects where the debt service is secured via a lease or installment agreement and where the payments are budgeted in the annual budget appropriation by the City from the general fund. Lease-Backed debt does not constitute indebtedness under the state or the City's constitutional debt limit and does not require voter approval.
- Tax Allocation Bonds/Tax Increment Financing: Tax Allocation Bonds are special obligations that are secured by the allocation of tax increment revenues that are generated by increased property taxes in the designated redevelopment area. Tax Allocation Bonds are not debt of the City. Due to changes in the law affecting California Redevelopment agencies with the passage of AB X1 26 (as amended, the Dissolution Act) as codified in the California Health and Safety Code, the Vernon Redevelopment Agency (RDA) was dissolved as of February 1, 2012, and its operations substantially eliminated but for the continuation of certain enforceable RDA obligations to be administered by the Successor Agency to the Vernon Redevelopment Agency (Successor Agency). The Successor Agency may issue Tax Allocation Bonds to refinance outstanding obligations of the RDA, subject to limitations included in the Dissolution Act. The City may also issue tax increment debt under provisions of State Law such relating to enhanced infrastructure financing districts.

The City may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the City will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, the medium-term or long-term risk attendant to variable rate debt and the feasibility of exit strategies, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

The City will not employ derivatives, such as interest rate swaps, in its debt program. A derivative product is a financial instrument which derives its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate. Derivatives are commonly used as hedging devices in managing interest rate risk and thereby reducing borrowing costs. However, these products bear certain risks not associated with standard debt instruments.

C. Relationship of Debt to Capital Improvement Program and Budget

The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's capital budget and the capital improvement plan.

The City shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The City shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, such as Gas Tax funds.

The City shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the City's public purposes.

The City shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

The City is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The City intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the City's annual operating budget.

It is a policy goal of the City to protect taxpayers, ratepayers and constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The City will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

Except as described in Section 3.A., when refinancing debt, it shall be the policy goal of the City to realize, whenever possible, and subject to any overriding non-financial policy considerations minimum net present value debt service savings equal to or greater than 4% of the refunded principal amount.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the City shall comply with any other applicable policies and requirements regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The City will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues,
- the City's investment policies as they relate to the investment of bond proceeds,
- the requirements of Government Code Section 53343.2 for annual reporting of parcel taxes on the State Controller's Report (if any) and annual reporting regarding CFD Bonds to the California Debt and Investment Advisory Commission (CDIAC) (if any), and posting such information on the City's website,
- the requirements of Government Code Section 8855(k) for annual reporting to CDIAC relating to debt issued after January 1, 2017, and
- any new requirements imposed by state or federal law relating to the City's debt.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the City will submit written requisitions for such proceeds. The City will submit a requisition only after obtaining the signature of the City Administrator or the Director of Finance.

INSTRUCTIONS AND REQUEST REGARDING BONDS TO BE REFUNDED

January 31, 2020

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

CITY OF VERNON ELECTRIC SYSTEM REVENUE BONDS, 2009 SERIES A

BASE CUSIP 924397

Ladies and Gentlemen:

You are hereby notified, with respect to the above-captioned obligations (the “**Bonds**”), which were issued pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Second Supplemental Indenture of Trust, dated as of May 1, 2009, the “**Indenture**”), by and between the City of Vernon (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), of the election of the City to redeem all of the outstanding Bonds on March 10, 2020 (the “**Redemption Date**”).

You are hereby further instructed to mail on February 5, 2020 a notice of redemption of the Bonds in substantially the form that is attached hereto as Exhibit A to the parties that are described in and in accordance with the Indenture, including The Depository Trust Company, and to disseminate such notice to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”).

In accordance with Article IX of the Indenture, you are also instructed to disseminate to EMMA and to the owners of the Bonds on the Redemption Date a notice of defeasance of the Bonds in substantially the form that is attached hereto as Exhibit B.

Redemption of the Bonds is contingent upon certain events and the City hereby requests and directs you to send the notice of redemption as a rescindable and revocable notice.

If the City determines that it is necessary for you to revoke any notice of redemption, the City will notify you as soon as practicable by telephone, immediately confirmed in writing, and in any event by 11:00 a.m. California time on the Redemption Date.

CITY OF VERNON

By: _____
City Administrator

RECEIPT ACKNOWLEDGED:

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

By: _____
Authorized Officer

EXHIBIT A

CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2009 SERIES A

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2009A Bonds”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Second Supplemental Indenture of Trust, dated as of May 1, 2009, by and between the City of Vernon (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2009 Trustee”), that 2009A Bonds in the principal amount of \$57,995,000 have been called for redemption on March 10, 2020 (the “Redemption Date”). The 2009A Bonds were originally issued on May 13, 2009 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
DJ8	2021	5.125%	\$ 57,995,000	100%

The 2009A Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount plus accrued interest to such date (the “Redemption Price”). The Redemption Price of the 2009A Bonds will become due and payable on the Redemption Date. Interest on the 2009A Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2009A Bonds will be surrendered to the 2009 Trustee.

Redemption of the 2009A Bonds is conditional upon the receipt by the 2009 Trustee on or prior to the Redemption Date of moneys that are sufficient to pay the principal of and interest on the 2009A Bonds and, if such moneys have not been so received, this notice shall be of no force and effect and the 2009 Trustee shall not be required to redeem such 2009A Bonds. In such event, the 2009 Trustee has the right to rescind this notice.

To receive payment on the Redemption Date, owners of the 2009A Bonds should present and to surrender said 2009A Bonds on the Redemption Date at the address of the 2009 Trustee set forth below:

First Class/Registered/Certified

Express Delivery Only

By Hand Only

The Bank of New York Mellon
Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

The Bank of New York Mellon
Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

The Bank of New York Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

A form W-9 must be submitted with the 2009A Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Tax Cuts and Jobs Act of 2017, 24% will be withheld if the tax identification number is not properly certified.

If the owner of any 2009A Bond fails to deliver such 2009A Bond to the 2009 Trustee on the Redemption Date, such 2009A Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2009A Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2009 Trustee for such payment.

Note: The City and the 2009 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2009A Bond. They are included solely for the convenience of the holders.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2009 Trustee

February 5, 2020

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2009 SERIES A

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2009A Bonds”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Second Supplemental Indenture of Trust, dated as of May 1, 2009 (the “Indenture”) by and between the City of Vernon (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2009 Trustee”), that the City has deposited with the 2009 Trustee cash in an amount that is sufficient to pay on March 10, 2020 the principal of all outstanding 2009A Bonds, plus accrued interest with respect thereto to such date. The 2009A Bonds were originally issued on May 13, 2009 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>
DJ8	2021	5.125%	\$ 57,995,000

In accordance with the Indenture: (i) the 2009A Bonds will be deemed to be no longer Outstanding (as such term is defined in the Indenture) and the 2009A Bonds have ceased to bear further interest; (ii) the Indenture, and the pledge of and lien on the Trust Estate thereunder and all covenants, agreements and obligations of the City contained therein, have ceased and terminated and been completely discharged and satisfied and the City has been released therefrom in respect of the 2009A Bonds, except as set forth in the Indenture; (iii) the 2009A Bonds will be deemed to have been paid and all liability of the City in respect of the 2009A Bonds has ceased, terminated and been completely discharged, except as set forth in the Indenture and (iii) all obligations of the City under the Continuing Disclosure Agreement, dated as of May 1, 2009, by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, relating to the 2009A Bonds, have been terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any 2009A Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2009A Bonds.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2009 Trustee

March 10, 2020

INSTRUCTIONS AND REQUEST REGARDING BONDS TO BE REFUNDED

January 31, 2020

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

CITY OF VERNON ELECTRIC SYSTEM REVENUE BONDS, 2012 TAXABLE SERIES B

BASE CUSIP 924397

Ladies and Gentlemen:

You are hereby notified, with respect to the above-captioned obligations (the “**Bonds**”), which were issued pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Third Supplemental Indenture of Trust, dated as of January 1, 2012, the “**Indenture**”), by and between the City of Vernon (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), of the election of the City to redeem all of the outstanding Bonds on March 10, 2020 (the “**Redemption Date**”).

You are hereby further instructed to mail on February 5, 2020 a notice of redemption of the Bonds in substantially the form that is attached hereto as Exhibit A to the parties that are described in and in accordance with the Indenture, including The Depository Trust Company, and to disseminate such notice to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”).

In accordance with Article IX of the Indenture, you are also instructed to disseminate to EMMA and to the owners of the Bonds on the Redemption Date a notice of defeasance of the Bonds in substantially the form that is attached hereto as Exhibit B.

Redemption of the Bonds is contingent upon certain events and the City hereby requests and directs you to send the notice of redemption as a rescindable and revocable notice.

If the City determines that it is necessary for you to revoke any notice of redemption, the City will notify you as soon as practicable by telephone, immediately confirmed in writing, and in any event by 11:00 a.m. California time on the Redemption Date.

CITY OF VERNON

By: _____
City Administrator

RECEIPT ACKNOWLEDGED:

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

By: _____
Authorized Officer

EXHIBIT A

CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2012 TAXABLE SERIES B

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2012B Bonds”) of the City of Vernon (the “City”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Third Supplemental Indenture of Trust, dated as of January 1, 2012, the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2012 Trustee”), that the 2012B Bonds in the principal amount of \$35,100,000 have been called for redemption on March 10, 2020 (the “Redemption Date”). The 2012B Bonds were originally issued on January 19, 2012 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Redemption Price</u>
CP5	2022	\$6,165,000	6.250%	Make Whole Redemption Price ⁽¹⁾
CQ3	2023	6,565,000	6.250	Make Whole Redemption Price ⁽¹⁾
CR1	2024	6,990,000	6.250	Make Whole Redemption Price ⁽¹⁾
CS9	2025	7,440,000	6.375	Make Whole Redemption Price ⁽¹⁾
CT7	2026	7,940,000	6.500	Make Whole Redemption Price ⁽¹⁾

⁽¹⁾ Treasury Rate + 50 basis points, as described in detail in the Indenture.

The 2012B Bonds will be payable on the Redemption Date at a redemption price equal to the Make Whole Redemption Price (as described in footnote (1) to the above table and as defined in the Indenture, the “Redemption Price”). The Redemption Price of the 2012B Bonds will become due and payable on the Redemption Date. Interest on the 2012B Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2012B Bonds will be surrendered to the 2012 Trustee.

To receive payment on the Redemption Date, owners of the 2012B Bonds should present and to surrender said 2012B Bonds on the Redemption Date at the address of the 2012 Trustee set forth below:

First Class/Registered/Certified

Express Delivery Only

By Hand Only

The Bank of New York Mellon

Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

The Bank of New York Mellon

Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

The Bank of New York Mellon

Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

A form W-9 must be submitted with the 2012B Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Tax Cuts and Jobs Act of 2017, 24% will be withheld if the tax identification number is not properly certified.

If the owner of any 2012B Bond fails to deliver such 2012B Bond to the 2012 Trustee on the Redemption Date, such 2012B Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2012B Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2012 Trustee for such payment.

Note: The City and the 2012 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2012B Bond. They are included solely for the convenience of the holders.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2012 Trustee

February 5, 2020

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2012 TAXABLE SERIES B

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2012B Bonds”) of the City of Vernon (the “City”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Third Supplemental Indenture of Trust, dated as of January 1, 2012, the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2012 Trustee”), that the City has deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on March 10, 2020 the principal of all outstanding 2012B Bonds plus the Make Whole Redemption Price (as such term is defined in the Indenture). The 2012B Bonds were originally issued on January 19, 2012 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>
CP5	2022	\$6,165,000	6.250%
CQ3	2023	6,565,000	6.250
CR1	2024	6,990,000	6.250
CS9	2025	7,440,000	6.375
CT7	2026	7,940,000	6.500

In accordance with the Indenture: (i) the 2012B Bonds will be deemed to be no longer Outstanding (as such term is defined in the Indenture) and the 2012B Bonds have ceased to bear further interest; (ii) the Indenture, and the pledge of and lien on the Trust Estate thereunder and all covenants, agreements and obligations of the City contained therein, have ceased and terminated and been completely discharged and satisfied and the City has been released therefrom in respect of the 2012B Bonds, except as set forth in the Indenture; (iii) the 2012B Bonds will be deemed to have been paid and all liability of the City in respect of the 2012B Bonds has ceased, terminated and been completely discharged, except as set forth in the Indenture; and (iv) all obligations of the City under the Continuing Disclosure Agreement, dated as of January 1, 2012, by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, relating to the 2012B Bonds, have been terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any 2012B Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2012B Bonds.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2012 Trustee

March 10, 2020

INSTRUCTIONS AND REQUEST REGARDING BONDS TO BE REFUNDED

January 31, 2020

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

CITY OF VERNON ELECTRIC SYSTEM REVENUE BONDS, 2015 TAXABLE SERIES A

BASE CUSIP 924397

Ladies and Gentlemen:

You are hereby notified, with respect to the above-captioned obligations (the “**Bonds**”), which were issued pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Fourth Supplemental Indenture of Trust, dated as of July 1, 2015, the “**Indenture**”), by and between the City of Vernon (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), of the election of the City to redeem all of the outstanding Bonds on March 10, 2020 (the “**Redemption Date**”).

You are hereby further instructed to mail on February 5, 2020 a notice of redemption of the Bonds in substantially the form that is attached hereto as Exhibit A to the parties that are described in and in accordance with the Indenture, including The Depository Trust Company, and to disseminate such notice to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”).

In accordance with Article IX of the Indenture, you are also instructed to disseminate to EMMA and to the owners of the Bonds on the Redemption Date a notice of defeasance of the Bonds in substantially the form that is attached hereto as Exhibit B.

Redemption of the Bonds is contingent upon certain events and the City hereby requests and directs you to send the notice of redemption as a rescindable and revocable notice.

If the City determines that it is necessary for you to revoke any notice of redemption, the City will notify you as soon as practicable by telephone, immediately confirmed in writing, and in any event by 11:00 a.m. California time on the Redemption Date.

CITY OF VERNON

By: _____
City Administrator

RECEIPT ACKNOWLEDGED:

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

By: _____
Authorized Officer

EXHIBIT A

CONDITIONAL NOTICE OF FULL OPTIONAL REDEMPTION

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2015 TAXABLE SERIES A

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2015A Bonds”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Fourth Supplemental Indenture of Trust, dated as of July 1, 2015 (the “Indenture”), by and between the City of Vernon (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2015 Trustee”), that 2015A Bonds in the principal amount of \$111,720,000 have been called for redemption on March 10, 2020 (the “Redemption Date”). The 2015A Bonds were originally issued on July 21, 2015 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
CX8	2022	4.500%	\$ 22,540,000	2015 Make Whole Redemption Price ⁽¹⁾
CY6	2023	4.050	23,520,000	2015 Make Whole Redemption Price ⁽¹⁾
CZ3	2024	4.800	24,585,000	2015 Make Whole Redemption Price ⁽¹⁾
DA7	2025	4.650	25,780,000	2015 Make Whole Redemption Price ⁽¹⁾
DB5	2026	4.850	15,295,000	2015 Make Whole Redemption Price ⁽¹⁾

⁽¹⁾ Treasury Rate + 45 basis points, as described in detail in the Indenture.

The 2015A Bonds will be payable on the Redemption Date at a redemption price equal to the 2015 Make Whole Redemption Price (as described in footnote (1) to the above table and as defined in the Indenture, the “Redemption Price”). The Redemption Price of the 2015A Bonds will become due and payable on the Redemption Date. Interest on the 2015A Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2015A Bonds will be surrendered to the 2015 Trustee.

Redemption of the 2015A Bonds is conditional upon the receipt by the 2015 Trustee on or prior to the Redemption Date of moneys that are sufficient to pay the principal of and interest on the 2015A Bonds and, if such moneys have not been so received, this notice shall be of no force and effect and the 2015 Trustee shall not be required to redeem such 2015A Bonds. In such event, the 2015 Trustee has the right to rescind this notice.

To receive payment on the Redemption Date, owners of the 2015A Bonds should present and to surrender said 2015A Bonds on the Redemption Date at the address of the 2015 Trustee set forth below:

First Class/Registered/Certified

Express Delivery Only

By Hand Only

The Bank of New York Mellon

Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

The Bank of New York Mellon

Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

The Bank of New York Mellon

Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st Floor East
New York, New York 10286

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

A form W-9 must be submitted with the 2015A Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Tax Cuts and Jobs Act of 2017, 24% will be withheld if the tax identification number is not properly certified.

If the owner of any 2015A Bond fails to deliver such 2015A Bond to the 2015 Trustee on the Redemption Date, such 2015A Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2015A Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2015 Trustee for such payment.

Note: The City and the 2015 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2015A Bond. They are included solely for the convenience of the holders.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2015 Trustee

February 5, 2020

EXHIBIT B

NOTICE OF DEFEASANCE

CITY OF VERNON
ELECTRIC SYSTEM REVENUE BONDS, 2015 TAXABLE SERIES A

BASE CUSIP 924397

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the “2015A Bonds”) pursuant to the Indenture of Trust, dated as of September 1, 2008 (as amended and supplemented, including by the Fourth Supplemental Indenture of Trust, dated as of July 1, 2015 (the “Indenture”), by and between the City of Vernon (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2015 Trustee”), that the City has deposited with the 2015 Trustee cash in an amount that is sufficient to pay on March 10, 2020 the principal of all outstanding 2015A Bonds plus the 2015 Make Whole Redemption Price (as such term is defined in the Indenture) thereof. The 2015A Bonds were originally issued on July 21, 2015 and are described in the following table.

<u>CUSIP</u>	<u>Maturity</u> <u>(August 1)</u>	<u>Rate</u>	<u>Principal</u> <u>Amount</u>
CX8	2022	4.500%	\$ 22,540,000
CY6	2023	4.050	23,520,000
CZ3	2024	4.800	24,585,000
DA7	2025	4.650	25,780,000
DB5	2026	4.850	15,295,000

In accordance with the Indenture: (i) the 2015A Bonds will be deemed to be no longer Outstanding (as such term is defined in the Indenture) and the 2015A Bonds have ceased to bear further interest; (ii) the Indenture, and the pledge of and lien on the Trust Estate thereunder and all covenants, agreements and obligations of the City contained therein, have ceased and terminated and been completely discharged and satisfied and the City has been released therefrom in respect of the 2015A Bonds, except as set forth in the Indenture; (iii) the 2015A Bonds will be deemed to have been paid and all liability of the City in respect of the 2015A Bonds has ceased, terminated and been completely discharged, except as set forth in the Indenture and (iii) all obligations of the City under the Continuing Disclosure Agreement, dated as of July 1, 2015, by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, relating to the 2015A Bonds, have been terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any 2015A Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2015A Bonds.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as 2015 Trustee

March 10, 2020

City Council Agenda Item Report

Agenda Item No. COV-54-2020

Submitted by: Scott Williams

Submitting Department: Finance/ Treasury

Meeting Date: February 18, 2020

SUBJECT

2020 Water System Revenue Bonds

Recommendation:

A. Find that approval of the resolution to issue 2020 Water System Revenue Bonds is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by the Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines; and

B. Adopt a resolution for the issuance of 2020 Water System Revenue Tax Exempt Series A Bonds in the par amount of \$15 million to provide funds to (a) finance costs of certain capital improvements for the water system (b) fund a deposit to the Debt Service Reserve Fund, and (c) pay cost of issuance of the 2020 Series Bonds. The resolution provides for flexibility to accommodate interest rate fluctuations that would impact market conditions.

Background:

In November of 2019, the City Council held a public hearing regarding proposed changes in water rates and adopted a resolution approving a revised water rate schedule. The updated water rate schedule and corresponding rate increases are essential elements designed to provide, in part, the debt service capacity needed for securing tax-exempt bond financing as the increased revenue will enable the water utility to secure a proper credit rating, meet the required debt service coverages, and ensure repayment of the bond. The proceeds bond will provide available resources to address the current state of the Water Division facilities, urgent Capital Improvement Projects and critical activities that are already under way.

Based on the City's water system debt profile, a new issuance of revenue bond will be in the amount of \$15 million. The result of this financing effort will provide immediate available resources for scheduled capital expenditures, as well as funding reserves in the water utility. This bond restructuring was performed following best business practices including the competitive selection process, and an Attorney Services Agreement (Transactional) was entered into with Stradling Yocca Carlson & Rauth for bond and disclosure counsel service, and J.P. Morgan was selected for Investment Banking and Underwriting Services.

Upon finalizing the Series 2020 bond financial requirements and disclosure documents, City Council will be briefed on the specifics of the bonding transaction before proceeding with the final sale. At that time, staff will request that Council approve a resolution to move forward with the bond transaction, including approval of the Bond Purchase and Sale Agreement with Goldman Sachs, and authorization for the Director of Finance to accept or reject bids and set the interest rates on the bonds sold. A calculation will be done by the City's Financial Advisor to determine the lowest cost investor bids to be accepted. This information will be brought forward to City Council and will be incorporated into the authorizing resolution.

Council Policy Consideration

This requested action supports the City Council's strategic goal of maintaining fiscal responsibility and stability while listening carefully to the needs of the City's business community.

Fiscal Impact:

The result of this bond refunding and new issuance is projected to be \$15 million in new 2020 Series A bonds with debt service to be funded by the adjusted rates adopted in November 2019.

Attachments:

1. [Resolution - 2020 Water System Revenue Bonds](#)

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VERNON AUTHORIZING AND APPROVING THE ISSUANCE OF WATER SYSTEM REVENUE BONDS; APPROVING THE INDENTURE OF TRUST PURSUANT TO WHICH SUCH BONDS ARE TO BE ISSUED; APPROVING A DISCLOSURE DOCUMENT, A CONTRACT OF PURCHASE, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS IN CONNECTION WITH SUCH BONDS; AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the City of Vernon (the "City") is a municipal corporation and a chartered city of the State of California organized and existing under its Charter and the Constitution of the State of California; and

WHEREAS, the City is authorized pursuant to Article II of the City's Charter and the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the City Code of the City, to issue bonds, notes and other obligations payable from the Net Revenues of the Water System (capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture mentioned below) to finance the costs of any land, improvements, facilities, equipment and other property of any nature whatsoever that are used in the Water System; and

WHEREAS, the City desires to provide for the issuance of its Water System Revenue Bonds, 2020 Series A (with such changes to such name as an Authorized Officer (as defined herein) may approve, the "Bonds") payable from the Net Revenues of the Water System for the purposes of financing certain capital improvements (the "2020 Project") to its Water System, paying costs of issuance of the Bonds and, if necessary, funding a deposit to (or procuring a letter of credit, insurance policy or other facility (each, a "reserve surety") to

provide for the funding of) a reserve fund for the Bonds; and

WHEREAS, the Bonds are to be issued under and pursuant to an Indenture of Trust, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (such Indenture of Trust in the form attached hereto as Exhibit B with such changes, insertions and deletions as are made pursuant to this Resolution, the "Indenture"); and

WHEREAS, the Bonds are to be secured by revenues of the Water System to the extent set forth in the Indenture; and

WHEREAS, J.P. Morgan Securities LLC, as underwriter (the "Underwriter"), has submitted a proposal to purchase the Bonds in the form of a Contract of Purchase (such Contract of Purchase, in the form attached hereto as Exhibit C with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract"); and

WHEREAS, in connection with the offering and sale of the Bonds there has been prepared a disclosure document in the form of a Preliminary Official Statement (such Preliminary Official Statement in the form attached hereto as Exhibit D with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement"); and

WHEREAS, Rule 15c2-12 requires that, in order to be able to purchase or sell the Bonds, the Underwriter must have reasonably determined that an obligated person has undertaken in a written agreement or contract for the benefit of the owners of the Bonds to provide disclosure of certain financial information and operating data and certain enumerated events on an ongoing basis; and

WHEREAS, in order to cause such requirement of Rule 15c2-12

to be satisfied, the City desires to enter into a Continuing Disclosure Agreement with the Trustee (such Continuing Disclosure Agreement, in the form attached to the form of the Preliminary Official Statement attached hereto as Exhibit D, with such changes, insertions and deletions as are made pursuant to this Resolution, being referred to herein as the "Continuing Disclosure Agreement"); and

WHEREAS, in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature), which added Section 5852.1 to the California Government Code, the City has obtained from the Underwriter or the City's financial advisor required good faith estimates relating to the Bonds, and such estimates are disclosed and set forth in Exhibit A hereto; and

WHEREAS, there have been submitted to this meeting drafts of the following:

- (1) the Indenture;
- (2) the Purchase Contract; and
- (3) the Preliminary Official Statement, including the Continuing Disclosure Agreement; and

WHEREAS, after having reviewed and considered the proposal of the Underwriter to purchase the Bonds on the terms and conditions contained in the Purchase Contract, this City Council now desires to authorize the issuance and sale of the Bonds, including the execution of such documents and the performance of such acts as may be necessary or desirable to effect such issuance and sale, and the other actions contemplated by this Resolution.

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

SECTION 1: The City Council of the City of Vernon hereby

finds and determines that the above recitals are true and correct.

SECTION 2: The City Council of the City of Vernon finds that this action is exempt under the California Environmental Quality Act (CEQA) in accordance with Sections 15060(c)(3), 15378(b)(4), and 15378(b)(5) because the activity approved by this Resolution relating to the refinancing or funding of previously-approved projects will not result in direct or indirect physical changes in the environment and, therefore, is not a "project," as defined in Section 15378 of the CEQA Guidelines.

SECTION 3: The City Council of the City of Vernon hereby approves the Indenture, in substantially the form attached hereto as Exhibit B, and made a part hereof as though set forth in full herein.

SECTION 4: The City Council of the City of Vernon hereby authorizes the Mayor, the Mayor Pro Tem, the City Administrator and the Finance Director/City Treasurer (each an "Authorized Officer"), acting singly, to execute and deliver the Indenture, in the name of and on behalf of the City, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Indenture, said execution being conclusive evidence of such approval, and the City Clerk is hereby authorized to attest thereto.

SECTION 5: The City Council of the City of Vernon hereby authorizes and approves, subject to the limitations specified in this Resolution, the issuance of the Bonds on the terms and conditions set forth in the Indenture. The aggregate principal amount of the Bonds shall not exceed \$15 million dollars (\$15,000,000). The Bonds will be dated as provided in, will bear interest at the rates provided in, will mature on the date or dates provided in, will be issued in the form

provided in, will have the sinking fund Installments specified in, will be subject to redemption as provided in, and will have such other terms as shall be provided in, the Indenture as the same is completed as provided in this Resolution, provided that no Bond shall bear a stated rate of interest in excess of 5.50% per annum.

SECTION 6: The City Council of the City of Vernon hereby authorizes the Authorized Officer executing the Indenture, subject to the limitations set forth in Section 5 hereof and in this Section 6, to determine the following: (i) the maturity date or dates of the Bonds (but no Bond shall mature later than August 1, 2050); (ii) the principal amount of the Bonds maturing on each maturity date; (iii) the interest rate or rates for the Bonds maturing on each maturity date; (iv) the maturity or maturities, if any, of the Bonds to be redeemed or paid at maturity from sinking fund installments (the "Term Bonds"); (v) the sinking fund installments for the Term Bonds; and (vi) the redemption provisions for the Bonds.

SECTION 7: The net proceeds received on the sale of the Bonds shall be applied to such purposes as are set forth in the recitals to this Resolution in the manner provided in the Indenture.

SECTION 8: The City Council of the City of Vernon hereby approves the Purchase Contract, in substantially the form attached hereto as Exhibit C, and made a part hereof as though set forth in full herein. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Purchase Contract, in the name of and on behalf of the City, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Purchase Contract, said execution being conclusive evidence of such approval, and the City Clerk is hereby

authorized to attest thereto.

SECTION 9: The City Council of the City of Vernon hereby authorizes the Authorized Officer executing the Purchase Contract to determine the purchase price to be paid for the Bonds under the Purchase Contract; provided, however, that the aggregate Underwriter's discount (not including original issue discount which shall not exceed 15% of the aggregate principal amount of the Bonds) for the Bonds shall be not more than 0.5% of the aggregate principal amount of the Bonds.

SECTION 10: The City Council of the City of Vernon hereby approves and authorizes the sale of the Bonds to the Underwriter on the terms and conditions contained in the Purchase Contract, as the same may be completed in accordance with the provisions of this Resolution, with such changes, insertions and deletions as are authorized hereby.

SECTION 11: The City Council of the City of Vernon hereby approves the Preliminary Official Statement, in substantially the form attached hereto as Exhibit D, and made a part hereof as though set forth in full herein. Each of the Authorized Officers, acting singly, is hereby authorized to cause the Preliminary Official Statement to be delivered to the Underwriter, in substantially the form attached hereto as Exhibit D with such changes, insertions and deletions as may be approved by the Authorized Officer delivering the Preliminary Official Statement (including without limitation the insertion of the proposed terms of the Bonds), said delivery being conclusive evidence of such approval.

SECTION 12: The City Council of the City of Vernon hereby authorizes and approves the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds by the Underwriter, including delivery of the Preliminary Official Statement

in electronic form. Each of the Authorized Officers, acting singly, is hereby authorized to determine that the Preliminary Official Statement is deemed final for purposes of Rule 15c2-12.

SECTION 13: The City Council of the City of Vernon hereby approves the preparation and delivery to the Underwriter of a final Official Statement (the "Official Statement") relating to the Bonds, and its use by the Underwriter in connection with the offering and sale of the Bonds, including delivery of the Official Statement in electronic form. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Official Statement (including without limitation the insertion of the final terms of the Bonds), said execution being conclusive evidence of such approval. Each of the Authorized Officers, acting singly, is hereby authorized to execute the Official Statement, in the name and on behalf of the City, and thereupon to cause the Official Statement to be delivered to the Underwriter. Each of the Authorized Officers, acting singly, is hereby authorized to approve and execute any amendment or supplement to the Official Statement contemplated by the Purchase Contract, in the name and on behalf of the City, and thereupon to cause such amendment or supplement, to be delivered to the Underwriter.

SECTION 14: The City Council of the City of Vernon hereby approves the Continuing Disclosure Agreement, in substantially the form attached to the Preliminary Official Statement attached hereto as Exhibit D, and made a part hereof as though set forth in full herein. Each Authorized Officer, acting singly, is hereby authorized to execute and deliver the Continuing Disclosure Agreement, in the name of and on

behalf of the City, in substantially the form attached hereto with such changes, insertions and deletions as may be approved by the Authorized Officer executing the Continuing Disclosure Agreement, said execution being conclusive evidence of such approval, and the City Clerk is hereby authorized to attest thereto.

SECTION 15: The City Council of the City of Vernon hereby approves the appointment of The Bank of New York Mellon Trust Company, N.A., as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein.

SECTION 16: The City Council of the City of Vernon hereby authorizes the Authorized Officers: (i) to solicit bids on a municipal bond insurance policy and/or reserve surety for the benefit of the Bonds; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the City, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

SECTION 17: The City Council of the City of Vernon hereby authorizes the Mayor, the Mayor Pro Tem, the City Administrator, the Finance Director/City Treasurer, the City Clerk, the City Attorney, the Director of Public Utilities and any other proper official, officer or employee of the City, acting singly, be and each of them to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or convenient in carrying out the actions authorized by this Resolution and the transactions contemplated by the documents and instruments approved or authorized by this Resolution, including, without limitation, making any

determinations or submission of any documents or reports which are required by any rule or regulation of any governmental entity, the giving of any notices and directions or the seeking of any consents or acknowledgements in connection with the issuance and sale of the Bonds, the execution of any agreement related to municipal bond insurance or a reserve surety for the Bonds and the authorization, execution, delivery of, and the performance by the City of its obligations under, the documents and instruments approved or authorized by this Resolution.

SECTION 18: The City Council of the City of Vernon hereby ratifies, approves and confirms all actions heretofore taken by any committee of the City Council, or any official, officer, employee, representative or agent of the City, in connection with the issuance and sale of the Bonds or the authorization, execution, delivery, or performance of the City's obligations under the documents and instruments approved or authorized by this Resolution, and the other actions contemplated by this Resolution.

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SECTION 19: The City Clerk of the City of Vernon shall certify to the passage, approval and adoption of this resolution, and the City Clerk of the City of Vernon shall cause this resolution and the City Clerk's certification to be entered in the File of Resolutions of the Council of this City.

APPROVED AND ADOPTED this 18th day of February, 2020.

Name: _____

Title: Mayor / Mayor Pro-Tem

ATTEST:

Lisa Pope, City Clerk

APPROVED AS TO FORM:

Brian Byun,
Senior Deputy City Attorney

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

I, Lisa Pope, City Clerk of the City of Vernon, do hereby certify that the foregoing Resolution, being Resolution No. _____, was duly passed, approved and adopted by the City Council of the City of Vernon at a regular meeting of the City Council duly held on Tuesday, February 18, 2020, and thereafter was duly signed by the Mayor or Mayor Pro-Tem of the City of Vernon.

Executed this ____ day of February, 2020 at Vernon, California.

Lisa Pope, City Clerk

(SEAL)

EXHIBIT A

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Underwriter and has been represented by such party to have been provided in good faith:

- (A) True Interest Cost of the Bonds: 3.30%
- (B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties):
\$470,000
- (C) Net Proceeds of the Bonds to be Received (net of finance charges, reserves and capitalized interest, if any): \$15,000,000
- (D) Total Payment Amount through Maturity of the Bonds: \$25,908,878

The foregoing constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on a variety of factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

EXHIBIT B

INDENTURE OF TRUST

Dated as of March 1, 2020

By and between

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

and the

CITY OF VERNON

Relating to

\$_____
CITY OF VERNON
WATER SYSTEM REVENUE BONDS, 2020 SERIES A

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST is made and entered into and dated as of March 1, 2020 (the “**Indenture**”), by and between the CITY OF VERNON, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California (the “**City**”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

RECITALS

A. The City desires to finance certain capital improvements to its municipal water system.

B. The City is authorized pursuant to Article II of the City’s charter and Article XI of the City’s Code of Ordinances to issue revenue bonds for the purpose of financing capital improvements to its municipal water system; and.

C. In order to provide for the authentication and delivery of water revenue bonds (the “**2020 Bonds**”), to establish and declare the terms and conditions upon which such 2020 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the City has authorized the execution and delivery of this Indenture.

D. The City has determined that all acts and proceedings which are required by law and necessary to make the 2020 Bonds, when executed by the City, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the City, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2020 Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2020 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “**Trust Estate**”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City to the 2020 Bond Owners hereinafter set forth:

FIRST

All right, title and interest of the City in and to the Revenues (as such term is defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Revenues payable to or receivable by the City under the Constitution of the State, the Government Code of the State, the Indenture, the charter of

the City and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the City is or may become entitled to do thereunder, subject to the terms hereof.

SECOND

All moneys and securities held in funds and accounts of this Indenture, except amounts which are held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the City or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners, and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2020 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2020 Bonds over any of the other 2020 Bonds;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2020 Bonds due or to become due thereon, at the times and in the manner provided in the 2020 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

It is expressly declared that all 2020 Bonds which are issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, which are hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the City has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2020 Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition Fund. The term "Acquisition Fund" means the fund by that name created pursuant to Section 3.05 of the Indenture.

Authorized Representative. The term "Authorized Representative" means, with respect to the City, its Mayor, Mayor Pro Tempore, City Clerk, City Administrator, Finance Director or any other person designated as an Authorized Representative of the City by a Certificate of the City signed by its Mayor, Mayor Pro Tempore, City Clerk, City Administrator or Finance Director and filed with the Trustee.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bonds. The term "Bonds" means all revenue bonds or notes of the City authorized, executed, issued and delivered by the City, the payments of which are payable from Net Revenues on a parity with the 2020 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

Bond Year. The term "Bond Year" has the meaning that is set forth in the Tax Certificate.

Business Day. The term "Business Day" means: (1) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (2) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms "Certificate," "Direction," "Request" and "Requisition" of the City mean a written certificate, direction, request or requisition signed in the name of the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

City. The term "City" means the City of Vernon, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California.

Closing Date. The term "Closing Date" means the date on which the 2020 Bonds are delivered to the original purchaser thereof.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Agreement. The term "Continuing Disclosure Agreement" means the Continuing Disclosure Agreement dated as of March 1, 2020, by and between the City and the Trustee, as dissemination agent, relating to the 2020 Bonds, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means all contracts of the City previously or hereafter authorized and executed by the City, the payments under which are payable from Net Revenues on a parity with the 2020 Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; but excluding contracts entered into for operation and maintenance of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the 2020 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2020 Bonds and any other cost, charge or fee in connection with the original issuance of the 2020 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

(1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) those portions of the principal amount of all outstanding serial Bonds maturing in such period;

(3) those portions of the principal amount of all outstanding term Bonds required to be redeemed or paid in such period; and

(4) those portions of the Contracts required to be paid during such period, (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and

(ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the City or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the City with respect to such Paired Obligations, but only if the applicable Paired Obligations satisfies the requirement set forth in Section 11.16 hereof; and

provided further that the amount on deposit in a debt service reserve fund (including the Reserve Fund) on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2020 Bonds.

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

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

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on the next succeeding June 30, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the City.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of March 1, 2020, by and between the City and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, each of whom is independent of the City pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the City, who, or each of whom: (1) is in fact independent and not under domination of the City; (2) does not have any substantial interest, direct or indirect, with the City; and (3) is not connected with the City as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may specify in a certificate to the Trustee.

Initial Rating Requirement. The term “Initial Rating Requirement” means the rating requirement described in Section 11.16(a).

Insurer. The term “Insurer” means ____.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Interest Payment Date. The term “Interest Payment Date” means [August 1, 2020] and each February 1 and August 1 thereafter.

Investment Agreement. The term “Investment Agreement” means any investment agreement (including guaranteed investment contracts, forward delivery agreements, repurchase agreements or similar obligations) with, or guaranteed by, an entity the long-term unsecured obligations or the claims paying ability of which are rated “A” or better by a nationally recognized rating agency (without regard to gradations or modifiers within such category) at the time of initial investment.

Letter of Representations. The term “Letter of Representations” means the letter of the City delivered to and accepted by the Depository on or prior to delivery of the 2020 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the City delivered to and accepted by the Depository.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means the rating requirement described in Section 11.16(b).

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any period, the Revenues for such period less the Operation and Maintenance Costs for such period. When held by the Trustee in any funds or accounts established hereunder, Net Revenues shall include all interest or realized gain derived from the investment of amounts in any of such funds or accounts.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee at 400 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust, Reference: City of Vernon 2020 Water Bonds, or such other or additional offices as may be specified in writing by the Trustee to the City, except that with respect to presentation of 2020 Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2020 Bonds or of this Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) all payments under any contract for the purchase of water; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the City) selected by the City. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2020 Bonds, means (subject to the provisions of Section 11.09) all 2020 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2020

Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2020 Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including 2020 Bonds (or portions thereof) described in Section 11.09; and (iii) 2020 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2020 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2020 Bond Owner. The term “Owner” or “2020 Bond Owner,” whenever used herein with respect to a 2020 Bond, means the person in whose name the ownership of such 2020 Bond is registered on the Registration Books.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the City.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the City for the term of such Bond or Contract, as certified by an Independent Financial Consultant in writing, and which comply with the provisions of Section 11.16 hereof.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein. The Trustee is entitled to rely upon the written investment direction of the City as a representation that such investment constitutes a legal investment under the laws of the State.

(a) for all purposes, including but not limited to defeasance investments in refunding escrow accounts: (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); and (2) direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury, including REFCORP Interest STRIPS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(b) for all purposes other than defeasance investments in refunding escrow accounts: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export - Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHA's); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness

rated at least “AA-” or “Aa3” by the applicable Rating Agency issued by Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit (including those placed by a third party pursuant to a separate agreement between the City and the Trustee), other deposit products, time deposits, trust funds, trust accounts, interest-bearing deposits, overnight bank deposits, interest-bearing money market accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and its affiliates) which are either insured by the Federal Deposit Insurance Corporation or have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated “AAm”, “AAm-G”, “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody’s; (7) any Investment Agreement; and (8) the Local Agency Investment Fund.

Principal Account. The term “Principal Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name established pursuant to Section 5.08.

Rating. The term “Rating” means any currently effective rating on the 2020 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means S&P, Moody’s or Fitch, as the context dictates.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to Section 5.07.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Redemption Date. The term “Redemption Date” means the date fixed for an optional redemption prior to maturity of the 2020 Bonds.

Redemption Fund. The term “Redemption Fund” means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term “Redemption Price” means, with respect to any 2020 Bond (or portion thereof), the principal amount of such 2020 Bond (or portion) plus the interest accrued to the

applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2020 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2020 Bonds pursuant to Section 2.05.

Reserve Fund. The term “Reserve Fund” means the fund by that name established in Section 5.09 hereof.

Reserve Policy. The term “Reserve Policy” means Municipal Bond Debt Service Reserve Insurance Policy No. ____ issued by the Insurer on the date of issuance of the 2020 Bonds.

Reserve Requirement. The term “Reserve Requirement” means initially, \$____, and thereafter the lesser of: (i) \$____; or (ii) the least of: (a) the maximum principal of and interest on the 2020 Bonds due in the then current or any future Fiscal Year; (b) 125% of average annual Debt Service on the Outstanding 2020 Bonds; or (c) 10% of the then-Outstanding principal amount of the 2020 Bonds.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust services division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee within the Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Office because of such person’s knowledge of any familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

Revenue Fund. The term “Revenue Fund” means the Water Enterprise Fund of the City and/or such other fund or account of the City in which Revenues are deposited.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the Water System, including, without limiting the generality of the foregoing: (1) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the sale, furnishing and supplying of the water, drainage or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; and (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including City reserves, but excluding in all cases: (y) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (z) proceeds of taxes or benefit assessments restricted by law to be used by the City to pay amounts due on bonds or other obligations hereafter incurred.

“Revenues” also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund during any Fiscal Year in accordance with Section 5.08. “Revenues” do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.01(b)(iii).

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Request of the City delivered to the Trustee.

State. The term “State” means the State of California.

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

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2020 Bonds issued by the City on the date of issuance of the 2020 Bonds, including any and all exhibits attached thereto.

Term Bond. The term “Term Bond” means the 2020 Bonds maturing on August 1, 20__.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2020 Bonds. The term “2020 Bonds” means the City of Vernon Water System Revenue Bonds, 2020 Series A issued by the City and at any time Outstanding pursuant to the Indenture.

2020 Project. The term “2020 Project” means those Water System capital improvements that are described in Exhibit B.

Water Service. The term “Water Service” means the potable and recycled water distribution service that is made available or provided by the Water System.

Water System. The term “Water System” means the whole and each and every part of the waterworks system serving the City, whether owned or operated by the City or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed. The recycled water system of the City is part of the Water System.

Written Consent of the City; Written Order of the City; Written Request of the City; Written Requisition of the City. The terms “Written Consent of the City,” “Written Order of the City,” “Written Request of the City” and “Written Requisition of the City” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the City by an Authorized Representative of the City or by any two persons who are specifically authorized by resolution of the City to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05 hereof, with

respect to compliance with any provision hereof shall include: (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant or Independent Financial Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant or Independent Financial Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer of the City, unless such counsel or Independent Certified Public Accountant or Independent Financial Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel or Independent Certified Public Accountant or Independent Financial Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants or Independent Financial Consultants may certify to different matters, respectively.

Section 1.03. Interpretation.

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

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

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

ARTICLE II

THE 2020 BONDS

Section 2.01. Authorization of 2020 Bonds. The City hereby authorizes the issuance hereunder from time to time of the 2020 Bonds, which shall constitute special obligations of the City, for the purposes of financing the 2020 Project. The 2020 Bonds are hereby designated the “City of Vernon Water System Revenue Bonds, 2020 Series A” in the aggregate principal amount of \$ _____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2020 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2020 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2020 Bonds. The 2020 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds shall mature on August 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
20__	\$	%

Interest on the 2020 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any 2020 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2020 Bonds shall be payable in lawful money of the United States of America.

Each 2020 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before [July 15, 2020], in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2020 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2020 Bonds. Any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2020 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and shall deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2020 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Prior to any transfer of the 2020 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.04. Exchange of 2020 Bonds. 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption. The Trustee shall require the 2020 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2020 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the City and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as hereinbefore provided.

The person in whose name any 2020 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and

Redemption Price of by such 2020 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2020 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2020 Bonds. The 2020 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2020 Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of its Mayor. The 2020 Bonds may carry a seal, and such seal may be in the form of a facsimile of the City's seal and may be reproduced, imprinted or impressed on the 2020 Bonds. The 2020 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2020 Bonds shall cease to be such officer or officers of the City before the 2020 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the City, such 2020 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any 2020 Bonds may be signed and attested on behalf of the City by such persons as at the actual date of execution of such 2020 Bonds shall be the proper officers of the City although at the nominal date of such 2020 Bonds any such person shall not have been such officer of the City.

Only such of the 2020 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2020 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2020 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2020 Bond shall become mutilated, the City, at the expense of the Owner of said 2020 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2020 Bonds so mutilated, but only upon surrender to the Trustee of the 2020 Bond so mutilated. Every mutilated 2020 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the City delivered to, or upon the order of, the City. If any 2020 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2020 Bond so lost, destroyed or stolen (or if any such 2020 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2020 Bond, the Trustee may pay the same without surrender thereof). The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2020 Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee in the premises. Any 2020 Bond issued under the provisions of this Section in lieu of any 2020 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the 2020 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2020 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2020 Bond for a 2020 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2020 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2020 Bonds, the City may provide that such 2020 Bonds shall be initially issued as book entry 2020 Bonds. If the City shall elect to deliver any 2020 Bonds in book entry form, then the City shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2020 Bonds in an authorized denomination corresponding to that total principal amount of the 2020 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2020 Bond shall be registered in the 2020 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2020 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2020 Bonds, the City and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2020 Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2020 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2020 Bond Registration Books, of any notice with respect to book entry 2020 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2020 Bonds to be redeemed in the event that the City redeems the 2020 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2020 Bonds. The City and the Trustee may treat and consider the person in whose name each book entry 2020 Bond is registered in the 2020 Bond Registration Books as the absolute Owner of such book entry 2020 Bond for the purpose of payment of principal of, premium and interest on such 2020 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2020 Bond, for the purpose of registering transfers with respect to such 2020 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2020 Bonds only to or upon the order of the respective Owner, as shown in the 2020 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the 2020 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2020 Bond Registration Books, shall receive a 2020 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2020 Bonds. Upon delivery by the Depository to the City and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2020 Bonds for the Depository's book entry system, the City and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2020 Bonds other than the Owners, as shown on the 2020 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the City and the Trustee shall

take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2020 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2020 Bonds; or (ii) the City determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2020 Bonds or the City, then the City will discontinue the book entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate, fully registered 2020 Bond for each of the maturity dates of such book entry 2020 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the City fails to identify another qualified securities depository to replace the Depository, then the 2020 Bonds shall no longer be restricted to being registered in such 2020 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2020 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2020 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2020 Bond and all notices with respect to such 2020 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2020 Bonds to Substitute Depository.

(i) The 2020 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2020 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (a "**Substitute Depository**"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that DTC (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

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (A) or (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the City to the Trustee designating the Substitute Depository, a single new 2020 Bond, which the City shall prepare or cause to be prepared, shall be issued for each maturity of 2020

Bonds 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 the City. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the City to the Trustee, new 2020 Bonds, which the City shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2020 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the City.

(iii) In the case of a partial redemption or an advance refunding of any 2020 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2020 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2020 Bonds shall be controlling.

(iv) The City and the Trustee shall be entitled to treat the person in whose name any 2020 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City; and the City and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2020 Bonds. Neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2020 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2020 Bonds.

ARTICLE III

ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2020 Bonds. At any time after the execution of the Indenture, the City may execute and the Trustee shall authenticate and, upon Written Request of the City, deliver the 2020 Bonds in the aggregate principal amount of \$_____.

Section 3.02. Application of Proceeds of the 2020 Bonds. The proceeds of the sale of the 2020 Bonds in the amount of \$_____ shall be delivered to the Trustee, who shall:

- (a) transfer \$_____ to the Acquisition Fund;
- (b) deposit \$_____ to the Reserve Fund; and
- (c) deposit \$_____ into the Costs of Issuance Fund.

The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. Each such Written Requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2020 Bonds, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Validity of 2020 Bonds. The validity of the authorization and issuance of the 2020 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Trustee with respect to any other agreement. The recital contained in the 2020 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

Section 3.05. Acquisition Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Acquisition Fund.” The moneys in the Acquisition Fund shall be held by the Trustee in trust and applied to the payment of the costs of acquisition and construction of the 2020 Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Trustee, the General Manager of Public Utilities or the Finance Director of the City shall cause to be filed with the Trustee a certificate of the City in the form set forth in Exhibit C.

Upon receipt of each such certificate, the Trustee will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the City for such payment as directed by the City in such certificate. The Trustee need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2020 Project has been constructed and acquired in accordance with the Indenture, a statement of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Trustee by the General Manager of Public Utilities or the Finance Director of the City. Upon the receipt of such statement, the Trustee shall deposit any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Trustee by the General Manager of Public Utilities or the Finance Director of the City) to the Trustee in the Payment Fund for payment of 2020 Bonds in accordance herewith.

Section 3.06. Changes to the 2020 Project. The City may substitute other improvements for those listed as components of the 2020 Project in Exhibit B, but only if the City first files with the

Trustee a statement of the City in the form attached as Exhibit D: (a) identifying the improvements to be substituted and the improvements to City facilities they replace in the 2020 Project; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

ARTICLE IV

REDEMPTION OF 2020 BONDS

Section 4.01. Terms of Redemption.

(a) The 2020 Bonds with stated maturities on or after August 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

(b) The Term Bonds with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on August 1, 20__ and each August 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (August 1)</i>	<i>Principal Amount</i>
20__	\$

*

* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to subsections (a) or (b) above, the principal amount of the applicable Term Bonds to be redeemed pursuant to this subsection (c) on any subsequent August 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to subsections (a) or (b) above.

Section 4.02. Selection of 2020 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds for redemption as a whole or in part on any date as directed by the City and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the City in writing of the numbers of the 2020 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the Redemption Date, the place or places of redemption, the Redemption Price, the maturities, CUSIP numbers, if any, and, in the case of 2020 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2020 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2020 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2020 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2020 Bond. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2020 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2020 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2020 Bonds. Upon surrender of any 2020 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2020 Bonds so called for redemption shall cease to accrue, said 2020 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2020 Bonds to be redeemed on their Redemption Dates, pay such 2020 Bonds at the Redemption Price.

All 2020 Bonds redeemed pursuant to the provisions of this Article shall be canceled and destroyed upon surrender thereof to the Trustee.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below, all amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in Section 5.08, and any other amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Rate Stabilization Fund (other than those amounts which are transferred by the City from the Rate Stabilization Fund to the Revenue Fund)) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in the Revenue Fund, which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2020 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided herein. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

The City shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the City shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2020 Bonds due and payable on such Interest Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. After making the payments, allocations or transfers provided for in subsection (i) above, the City shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Reserve Fund and to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the Reserve Requirement and the reserve requirement applicable to such Bonds or Contracts, as applicable; provided, however, that the City may provide for the Reserve Fund by means other than cash and Permitted Investments pursuant to Section 5.09.

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the City reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (b)(i) or (b)(ii) may be deposited in the Rate Stabilization Fund or expended by the City at any time for any purpose permitted by law.

(iv) Investments. All moneys held by the City in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2020 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2020 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2020 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it shall become due and payable (including accrued interest on any 2020 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2020 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the City pursuant to a Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the City, the Trustee shall invest any such moneys in Permitted Investments described in clause (b)(5) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction from the City is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Written Request of the City. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

The City acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the

extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the City with periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee hereunder. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

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

The City shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on generally recognized pricing information services (including brokers and dealers in securities) that may be available to the Trustee, including those available through the Trustee accounting system.

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2020 Bonds designated the "Rebate Fund" when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds will not be adversely affected, the City shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2020 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the City delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the City; (ii) shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate; (iii) may rely conclusively on the City's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the City's calculations or determinations thereunder.

(i) Annual Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the City shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "**1½% Penalty**") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of

Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year, upon the Written Request of the City, an amount shall be deposited to the Rebate Fund by the Trustee from any Net Revenues legally available for such purpose (as specified by the City in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the City, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Written Request of the City, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all of the 2020 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the City), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2020 Bonds and the payments described in subsection (a) above being made may be withdrawn by the City and utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2020 Bonds.

Section 5.08. Establishment and Application of Rate Stabilization Fund. The City shall establish, maintain and hold in trust a special fund designated as the “Rate Stabilization Fund.” The City agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(b)(iii) will be held in the Rate Stabilization Fund and applied in accordance herewith.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.01 or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with Article X, transfer all or any portion of such amounts for application in accordance with Article X. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

Section 5.09. Reserve Fund. The Trustee shall establish a fund known as the “Reserve Fund” to be held and applied as set forth herein. The Trustee shall deposit in the Reserve Fund the amounts required to be deposited therein pursuant to this Indenture and apply moneys in the Reserve Fund in accordance with this Section. The initial deposit to the Reserve Fund shall be in the amount of the Reserve Requirement.

If one Business Day prior to any Interest Payment Date the moneys in the Payment Fund are insufficient to pay amounts due on the 2020 Bonds on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund to the Payment Fund the amount of such insufficiency. In the event that the Trustee has transferred moneys from the Reserve Fund to the Payment Fund in accordance with this Section, upon receipt of the moneys from the City to increase the balance in the Reserve Fund to the Reserve Requirement, the Trustee shall deposit such moneys in the Reserve Fund.

If the amount available and contained in the Reserve Fund exceeds an amount equal to the Reserve Requirement and if the City is not then in default under this Indenture, the Trustee shall semiannually on or before each Interest Payment Date withdraw the amount of such excess from the Reserve Fund and shall deposit such amount in the Payment Fund, and for this determination the Trustee shall make a valuation of the Reserve Fund as often as it may deem appropriate, and in any event on or before each Interest Payment Date in each year. In addition, the Trustee shall, on the date all or any portion of the 2020 Bonds are discharged in accordance with Section 10.02 hereof, value the Reserve Fund in accordance with this Section and withdraw the excess, if any, on deposit in the Reserve Fund and transfer such amount to or in accordance with the written direction of the District. Except for such withdrawals, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal, Redemption Price and interest on the 2020 Bonds in the event that no other moneys of the District are available therefor.

For the purpose of determining the amount in the Reserve Fund, all Permitted Investments credited to the Reserve Fund shall be valued at the lower of cost (inclusive of all interest accrued but not paid), or book value.

The District may satisfy the Reserve Requirement to deposit a specified amount in the Reserve Fund by the deposit of: (a) a surety bond; (b) a municipal bond insurance policy; (c) an unconditional irrevocable letter of credit; or (d) any other security device, in each case issued by providers whose long term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, is rated, at the time such security device is issued, “AA” or better by S&P, if S&P is then rating the 2020 Bonds, “AA” or better by Moody’s, if Moody’s is then rating the 2020 Bonds, and “AA” or better by Fitch, if Fitch is then rating the 2020 Bonds.

Section 5.10. Application of Funds and Accounts When No 2020 Bonds are Outstanding. On the date on which all 2020 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to

the Indenture shall be withdrawn by the Trustee and paid to the City for use by the City at any time for any purpose permitted by law.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The City shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2020 Bonds, in strict conformity with the terms of the 2020 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2020 Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2020 Bonds or the time of payment of any claims for interest by the purchase of such 2020 Bonds or by any other arrangement, and in case the maturity of any of the 2020 Bonds or the time of payment of any such claims for interest shall be extended, such 2020 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2020 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding 2020 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2020 Bonds.

Section 6.03. Against Encumbrances. The City will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The City may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The City may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Revenues on any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.04. Power to Issue 2020 Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the 2020 Bonds, to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2020 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the City in accordance with their terms, and the City shall and the Trustee may, at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the 2020 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2020 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the City upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Trustee (which shall have no duty to inspect such records) at reasonable hours and under reasonable conditions.

(c) The City will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2019) financial statements of the City for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no duty to review, verify or analyze such financial statements, and shall hold such financial statements solely as a repository for the benefit of the 2020 Bond Owners. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2020 Bonds will not be adversely affected for federal income tax purposes, the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2020 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City will take no action, refrain from taking any action and make no use of the proceeds of the 2020 Bonds or of any other moneys or property which would cause the 2020 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The City will make no use of the proceeds of the 2020 Bonds or of any other amounts or property, regardless of the source, and will take no action and refrain from taking any action which will cause the 2020 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City will make no use of the proceeds of the 2020 Bonds and will not take or omit to take any action that would cause the 2020 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2020 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City will make no use of the proceeds of the 2020 Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the 2020 Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2020 Bonds for federal income tax purposes; and

(f) Miscellaneous. The City will take no action and refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in

connection with the issuance of the 2020 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City issuing revenue bonds or causing the Trustee to execute and deliver contracts payable on a parity with the 2020 Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.07. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2020 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 6.08. Further Assurances. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2020 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. Budgets. On or prior to the fifteenth day of each Fiscal Year, the City shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2020 Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2020 Bonds due under the Indenture, the City will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the City in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2020 Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the City.

Section 6.10. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the City by contract, or prescribed by any law of the United States of America, 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, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.11. Compliance with Contracts. The City will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to pay principal of or interest on the 2020 Bonds; and the City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the City is a party thereto.

Section 6.12. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any 2020 Bond 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 Water System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and

other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2020 Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The City shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2020 Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2020 Bonds or involving the rights of the Trustee or any 2020 Bond Owner under the Indenture; provided that the Trustee or any 2020 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The City shall indemnify and hold harmless the Trustee and the 2020 Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2020 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2020 Bonds. The City shall promptly reimburse any 2020 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2020 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.13. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement to be executed and delivered by the City in connection with the issuance of the 2020 Bonds. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any 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 Section. For purposes of this Section, "**Beneficial Owner**" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2020 Bonds (including persons holding 2020 Bonds through nominees, depositories or other intermediaries).

Section 6.14. Additional Contracts and Bonds. The City may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided that:

(a) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year or other twelve month period. [When calculated for purposes of this subsection, Net Revenues will not include amounts that have been transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year]; and

(b) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such

Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period. [When calculated for purposes of this subsection, Net Revenues will not include amounts which have been transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year].

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if total Debt Service after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service would have been prior to the issuance of such Bonds or execution of such Contracts.

Section 6.15. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2020 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the principal of and interest on the 2020 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the City to sell any portion of the Water System if such portion is immediately repurchased by the City and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the City of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.16. Against Competitive Facilities. To the extent that it can so legally obligate itself, the City covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any municipal water system competitive with the Water System.

Section 6.17. Maintenance and Operation of the Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.18. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the

funds or accounts created hereunder or on any funds in the hands of the City pledged to pay the principal of or interest on the 2020 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.19. Insurance.

(a) The City will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may be applied in part to defeasance of 2020 Bonds and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the City to retire the entire obligation evidenced hereby prior to the final due date of the 2020 Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the City may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the retirement of 2020 Bonds and to the retirement of such Bonds and Contracts.

(b) The City will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the 2020 Bond Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the City determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.20. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same

shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.21. Amount of Rates and Charges.

(a) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to one hundred fifteen percent (115%) of Debt Service for such Fiscal Year. [When calculated for purposes of this subsection, Net Revenues will not include amounts which have been transferred from the Rate Stabilization Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year].

(b) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to one hundred fifteen percent (115%) of the Operation and Maintenance Costs for such Fiscal Year. [When calculated for purposes of this subsection, Revenues will not include any amounts which have been transferred from the Rate Stabilization Fund pursuant to Section 5.08].

(c) The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.22. Collection of Rates and Charges. The City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.23. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the City files with the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the City from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the City, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so

that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the City shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the City in part to the defeasance or redemption of 2020 Bonds as provided herein, and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.24. Enforcement of Contracts. The City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the City to pay principal of and interest on the 2020 Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2020 BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the City in the due and punctual payment of the principal of any 2020 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the City in the due and punctual payment of any installment of interest on any 2020 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the City in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2020 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2020 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the City within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder; provided, however, that such extended cure period shall not be longer than 180 days from the delivery date of such default notice.

(d) The City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the City, declare the principal of all of the 2020 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2020 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the City is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2020 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2020 Bonds to the extent permitted by law, and the reasonable fees, disbursements and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default actually known to a Responsible Officer of the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2020 Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee shall on behalf of the Owners of all of the 2020 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee and

any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2020 Bonds, Contract or Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of Operation and Maintenance Costs; and

(c) To the payment of the principal of and interest then due on the 2020 Bonds (upon presentation of the 2020 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, and to the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2020 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2020 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2020 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: If there shall exist any remainder after the foregoing payments, such remainder shall be paid to the City.

Section 7.04. Trustee to Represent 2020 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2020 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2020 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2020 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2020 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance

of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2020 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2020 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2020 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2020 Bonds, subject to the provisions of the Indenture.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any 2020 Bond Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any 2020 Bond Owner thereof, or to authorize the Trustee to vote in respect of the claim of any 2020 Bond Owner in any such proceeding without the approval of the 2020 Bond Owners so affected.

Section 7.05. 2020 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee (which determination the Trustee has no duty to make) would be unjustly prejudicial to 2020 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2020 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2020 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2020 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed 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; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding.

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 2020 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2020 Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2020 Bonds, or to enforce any right under the 2020 Bonds, the Indenture, or applicable law with respect to the 2020 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be

instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2020 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the City. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2020 Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the 2020 Bonds to the respective Owners of the 2020 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2020 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2020 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2020 Bonds to exercise any right or power arising upon the occurrence 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.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and 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) The City may remove the Trustee at any time upon thirty (30) days' prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the 2020 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any 2020 Bond Owner (on behalf of such 2020 Bond Owner and all other 2020 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all of the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2020 Bonds and to the 2020 Bond Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company 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 subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may

sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2020 Bonds shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2020 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2020 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2020 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2020 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2020 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2020 Bonds then Outstanding.

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

(c) 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 the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2020 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

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

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the City or the Owners of not less than fifty percent (50%) of the 2020 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the City of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2020 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

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

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture, including at the request, order or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2020 Bonds.

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

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

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

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Indenture and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such

Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2020 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2020 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the City, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof,

accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession during the term hereof in accordance with applicable document retention policies and shall be subject at all reasonable times to the inspection of the City and any 2020 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The City shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The City shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust or any other document or transaction executed in connection herewith, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the City under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2020 Bonds and the Indenture.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any 2020 Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the City and of the Owners of the 2020 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the City and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of 2020 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2020 Bond so affected; or (2) reduce the aforesaid percentage of 2020 Bonds the consent of the

Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2020 Bonds then Outstanding. It shall not be necessary for the consent of the 2020 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2020 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the City, the Trustee and the Owners of the 2020 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2020 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the City may deem necessary or desirable;

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

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2020 Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2020 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the City, the Trustee and all Owners of 2020 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2020 Bonds; Preparation of New 2020 Bonds. 2020 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2020 Bonds Outstanding at the time of such execution and presentation of his or her 2020 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2020 Bonds. If the Supplemental Indenture shall so provide, new 2020 Bonds so modified as to conform, in the opinion of the City and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the City and authenticated by the Trustee, and upon demand on the Owners of any 2020 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2020 Bond Owner, for 2020 Bonds then Outstanding, upon surrender for cancellation of such 2020 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2020 Bonds. The provisions of this Article shall not prevent any 2020 Bond Owner from accepting any amendment as to the particular 2020 Bonds held by such Owner.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2020 Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2020 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2020 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2020 Bonds then Outstanding.

If the City shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (as evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding the fact that any 2020 Bonds shall not have been surrendered for payment, the

Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for the City's obligations under Section 8.06. In such event, upon the Written Request of the City, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2020 Bonds not theretofore surrendered for such payment or redemption to the City.

Section 10.02. Discharge of Liability on 2020 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2020 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2020 Bonds), provided that, if such Outstanding 2020 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such 2020 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The City may at any time surrender to the Trustee for cancellation by it any 2020 Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such 2020 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2020 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2020 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2020 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2020 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the City and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2020 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2020 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the City) to apply such money to the payment of such principal,

interest and premium, if any, with respect to such 2020 Bonds; and (ii) the City shall have delivered to the Trustee an opinion of Bond Counsel addressed to the City and the Trustee to the effect that such 2020 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above).

Section 10.04. Payment of 2020 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2020 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2020 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2020 Bonds became due and payable, shall be repaid to the City (without liability for interest) free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the City and the Trustee indemnifying the Trustee with respect to claims of Owners of 2020 Bonds which have not yet been paid, 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 shall at the written direction of the City (at the cost of the City) first mail to the Owners of 2020 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2020 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of City Limited to Revenues. Notwithstanding anything in the Indenture or the 2020 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the City shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2020 Bonds or for any other purpose of the Indenture. Nevertheless, the City may, but shall not be required to, advance for any of the purposes hereof any funds of the City which may be made available to it for such purposes.

The obligation of the City to pay interest and principal on the 2020 Bonds is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof (other than the City) in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either 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 the Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and 2020 Bond Owners. Nothing in the Indenture or in the 2020 Bonds expressed or implied is intended or shall be construed to give to any

person other than the City, the Trustee and the Owners of the 2020 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Trustee and the Owners of the 2020 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2020 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the City of any 2020 Bonds, the Trustee shall destroy such 2020 Bonds as may be allowed by law, and, upon the City's request, deliver a certificate of such destruction to the City.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2020 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2020 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the City or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile, electronic mail, overnight mail or courier, or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the City at City of Vernon, 4305 South Santa Fe Avenue, Vernon, California 90058, Attention: City Administrator (or such other address as may have been filed in writing by the City with the Trustee), or to the Trustee at its Office. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2020 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2020 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2020 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2020 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the City if made in the manner provided in this Section.

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

The Ownership of 2020 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2020 Bond shall bind every future Owner of the same 2020 Bond and the Owner of every 2020 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2020 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2020 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2020 Bonds which are actually known by a Responsible Officer of the Trustee to be owned or held by or for the account of the City, or by any other obligor on the 2020 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2020 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all 2020 Bonds are so owned or held, in which case such 2020 Bonds shall not be disregarded and shall be deemed to be Outstanding. 2020 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2020 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2020 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the City shall certify to the Trustee those 2020 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2020 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2020 Bonds (or portions of 2020 Bonds in the case of registered 2020 Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2020 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2020 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the City shall be individually or personally liable for the payment of the

principal of or premium or interest on the 2020 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the City shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2020 Bond 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 2020 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2020 Bondholders and that neither the City nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.15. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.16. Paired Obligation Provider Guidelines. For purposes of Sections 6.14 and 6.21, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating of A- or better by S&P and A3 or better by Moody's.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below Baa2 by S&P or BBB by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 6.14 and 6.21.

In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the City does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Sections 6.14 and 6.21 without regard to payments to be received from the Paired Obligation Provider. The Trustee has no obligation to monitor the ratings of any Paired Obligation Providers.

IN WITNESS WHEREOF, the City has caused the Indenture to be signed in its name by its Authorized Representative, and the Trustee, in token of its acceptance of the duties and obligations of the Trustee created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CITY OF VERNON

By: _____
Its: _____

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

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF 2020 BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), 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.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF VERNON
WATER SYSTEM REVENUE BONDS, 2020 SERIES A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	August 1, 20__	March __, 2020	_____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CITY OF VERNON, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before [July 15, 2020], in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on August 1, 2020 and each February 1 and August 1 thereafter, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by

first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a Registered Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Registered Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Registered Owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the City), and neither the State, nor any of its political subdivisions (other than the City), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the City other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of March 1, 2020 (the "Indenture"), by and between the City and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the City to make payments in accordance with the Indenture is a limited obligation of the City as set forth in the Indenture and the City shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. This Bond does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the City designated as the "City of Vernon Water System Revenue Bonds, 2020 Series A" (the "2020 Bonds"), of an aggregate principal amount of ____ Million ____ Thousand Dollars (\$____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Section 4.3 of the City's charter and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California, and pursuant to the Indenture and the resolution authorizing the issuance of the 2020 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the City) and all supplements thereto for a description of the terms on which the 2020 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2020 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the City hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2020 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds have been issued by the City for the purpose of financing certain capital improvements to the Water System of the City.

This Bond and the interest, premium, if any, hereon and all other 2020 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the City, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on this Bond.

The Indenture and the rights and obligations of the City and the Owners of the 2020 Bonds and the Trustee may be modified or amended from time to time and at any time with the written

consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2020 Bond so affected; or (ii) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2020 Bonds then Outstanding.

The Indenture and the rights and obligations of the City, of the Trustee and the Owners of the 2020 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the City and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds.

The 2020 Bonds with stated maturities on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

The Term Bonds with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on August 1, 20__ and each v 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (August 1)</i>	<i>Principal Amount</i>
20__	\$

*

* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to the optional or extraordinary redemption provisions of the Indenture, as described above, the principal amount of the applicable Term Bonds to be redeemed on any subsequent August 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee;

provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to the optional or extraordinary redemption provisions of the Indenture.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the redemption.

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

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2020 Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2020 Bond or 2020 Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

This Bond may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of this Bond during the period in which the Trustee is selecting 2020 Bonds for redemption or if this Bond has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2020 Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Mayor as of this ____ day of March, 2020.

CITY OF VERNON

By: _____
Its: Mayor

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

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

Dated: March __, 2020

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

By: _____
Its: Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

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

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

Dated: _____

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

Signature Guaranteed:

Note: 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.

EXHIBIT B

DESCRIPTION OF 2020 PROJECT

	Year 1	Year 2	Year 3	Year 4
Capital Outlay	FY 19-20	FY 20-21	FY 21-22	FY 22-23
Well 5 Destruction	\$ 125,000			
Well 11 Pump and Motor	\$ 150,000			
Emergency Generator on Well 11	\$ 300,000			
Well 20 Rehab	\$ 550,000			
Emergency Generator on Well 20	\$ 300,000			
Well 17 Rehabilitation	\$ 600,000			
Well 22 Drilling and Casing	\$ 2,050,000			
Well 22 Wellhead equipment	\$ 1,800,000			
New Wells Wellhead Engineering & CM	\$ 215,000			\$ 215,000
New Wells Drilling & Casing Construction Management	\$ 155,000			\$ 155,000
Operations Analysis and Master Plan	\$ 300,000			
Reservoir condition assessments (6-1MG)	\$ 12,000			
Elevated Tank Upgrades (automation)	\$ 250,000			
Upgrades for 10MG Reservoir (automation)		\$ 250,000		
Emergency Generator on Well 22		\$ 300,000		
Well 15 Rehab		\$ 500,000		
Emergency Generator on Well 15		\$ 300,000		
Reservoir Demo at Well 20		\$ 100,000		
BP1, BP2, BP3 Engineering Design		\$ 300,000		
BP1 Pump and Motor Revamp including Right-sizing		\$ 500,000		
Emergency Generator on Booster Plant 1		\$ 300,000		
BP3 Pump and Motor Revamp including Right-sizing		\$ 500,000		
BP2 Reservoir Supply Redundancy		\$ 100,000		
Repairs Reservoirs BP3 Design & Construction			\$ 1,000,000	
BP2 Pump and Motor Revamp including Right-sizing			\$ 500,000	
Repairs Reservoirs BP2 Design & Construction			\$ 1,000,000	
Dock Demo at OE Clark			\$ 254,000	
Well 23 Drilling and Casing				\$ 2,240,090
Well 23 Wellhead equipment				\$ 1,966,909
Emergency Generator on Well 23				
AMI Program	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Electrical Upgrades	\$ 500,000	\$ 250,000	\$ 250,000	
SCADA	\$ 250,000			
Pilot Main Replacement Program				
Packers/Exchange and Downey Rd Pipeline Extension				
Pump House 2 Refurbishment				
Fence Replacement PP2 & Well 19				
Annual Total	\$ 7,657,000	\$ 3,500,000	\$ 3,104,000	\$ 4,676,999
Cumulative Total	\$ 7,657,000	\$ 11,157,000	\$ 14,261,000	\$ 18,937,999

EXHIBIT C

FORM OF REQUISITION FROM ACQUISITION FUND

\$ _____
CITY OF VERNON
WATER SYSTEM REVENUE BONDS, 2020 SERIES A

REQUISITION NO. __ FOR
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Finance Director of the City of Vernon, a municipal corporation that is organized and existing under its charter and the Constitution of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.05 of that certain Indenture of Trust, dated as of March 1, 2020 (the "Installment Purchase Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the undersigned hereby requests the Trustee to disburse this date the following amounts from the Acquisition Fund established under the Indenture relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____, 20__

CITY OF VERNON

By: _____
Finance Director

EXHIBIT A

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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EXHIBIT C

FORM OF SUBSTITUTION STATEMENT

The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 500
Los Angeles, California 90071
Attention: Corporate Trust
Reference: City of Vernon 2020

The undersigned Finance Director of the City of Vernon (the “City”) hereby states pursuant to Section 3.06 of the Indenture of Trust, dated as of March 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee that each component of the 2020 Project (as such term is defined in the Installment Purchase Agreement) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 20__

Finance Director

EXHIBIT A

<i>Components of 2020 Project to be Replaced</i>	<i>Cost of Each Component of 2020 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
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EXHIBIT C

\$ _____
CITY OF VERNON
Water System Revenue Bonds,
2020 Series A

_____, 2020

CONTRACT OF PURCHASE

City of Vernon
4305 South Santa Fe Avenue
Vernon, California 90058

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC, as underwriter (the “Underwriter”), hereby offers to enter into this Contract of Purchase (this “Purchase Contract”) with you, the City of Vernon (“the City”). This offer is made subject to acceptance by the City prior to 11:59 P.M., California time, on the date hereof, and if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to acceptance by the City. Upon acceptance by the execution hereof, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement (as defined herein).

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter agrees to purchase, and the City agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$_____ City of Vernon Water System Revenue Bonds, 2020 Series A (the “Bonds”). The Bonds shall be dated the date of delivery thereof, shall mature on such dates and shall bear interest at such rates, and shall be subject to redemption, all set forth in Schedule 1 attached hereto. Interest on the Bonds shall be payable semiannually on February 1 and August 1 of each year, commencing [August 1, 2020]. The purchase price for the Bonds shall be \$_____ (consisting of the \$_____ aggregate principal amount of the Bonds [plus/less] \$_____ of original issue [premium/discount], less \$_____ of Underwriter’s discount).

(b) The Bonds are to be issued pursuant to the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of Chapter 2 of the Vernon City Code, and an Indenture of Trust, dated as of March 1, 2020 (the “Indenture”), by and between the City and [The Bank of New York Mellon Trust Company, N.A.], as trustee (the “Trustee”), substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the City and the Underwriter.

Proceeds of the Bonds will be used to (i) finance the costs of certain capital improvements to the City’s Water System (including by reimbursing the Water System for the prior

payment of such costs from the Water Fund), [(ii) fund a deposit to a Debt Service Reserve Fund,] and (iii) pay costs of issuance of the Bonds.

The City will undertake, pursuant to a Continuing Disclosure Agreement, dated March __, 2020 (the “Continuing Disclosure Agreement”), by and between the City and the Trustee, to provide certain annual financial information and notices of the occurrence of certain events. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement (defined below) and will also be set forth in the Official Statement (defined below).

The Indenture, the Continuing Disclosure Agreement and this Purchase Contract are hereinafter referred to collectively as the “Legal Documents.”

(c) At 8:00 o’clock A.M., California time, on [March __], 2020, or at such other time or on such other date as mutually agreed upon by the City and the Underwriter (the “Closing Date”), the City will, subject to the terms and conditions hereof, sell and deliver, or cause to be delivered, the Bonds to the Underwriter, in definitive form, duly executed and authenticated, together with the other documents mentioned herein, and subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (a) above in immediately available funds (such delivery and payment being herein referred to as the “Closing”) to the order of the Trustee. Sale, delivery and payment as aforesaid shall be made at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), or such other place as shall have been mutually agreed upon by the City and the Underwriter, except that the Bonds shall be delivered through the Trustee via the F.A.S.T. delivery book-entry system of The Depository Trust Company (“DTC”) in New York, New York, or at such other place as shall have been mutually agreed upon by the City and the Underwriter, in fully registered book-entry eligible form (which may be typewritten) and registered in the name of Cede & Co. as nominee of DTC.

2. Establishment of Issue Price.

(a) The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not in excess of the initial, respective public offering prices or at yields not lower than the initial, respective yields shown or derived from information shown on the inside cover of the Official Statement. [Except as set forth in subsection (d) below,] the Underwriter reserves the right to change such initial offering prices after such offering as it shall deem necessary in connection with the marketing of the Bonds.

(b) The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(c) [Except for the Hold-the-Price Maturities described in subsection (d) below and Schedule 1 attached hereto,] the City will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. Schedule 1 attached hereto sets forth, as of the date of this Purchase Contract, the maturities of the Bonds for which the 10% test has been satisfied (the “10% Test Maturities”) and the price or prices at which the Underwriter has sold such 10% Test Maturities to the public. For purposes of this section, if Bonds

mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(d) [With respect to the maturities of the Bonds that are not 10% Test Maturities, as described in Schedule 1 attached hereto (the “Hold-the-Price Maturities”), the Underwriter confirms that it has offered such maturities of the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule 1 attached hereto. The City and the Underwriter agree that the restrictions set forth in the next sentence shall apply to the Hold-the-Price Maturities, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell any portion of such maturity of the Hold-the-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.]

(e) The Underwriter confirms that:

(i) any selling group agreement and each third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A)(i) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (ii) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter and as set forth in the related pricing wires; (B) promptly notify the Underwriter of any sales of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below); and (C) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public; and

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter or the dealer that either the 10% test has been satisfied as to the Bonds of that

maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The City acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(g) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” (when used with a lower case “u”) means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

3. Use and Preparation of Official Statement. The City hereby ratifies, confirms and approves of the distribution and use by the Underwriter prior to the date hereof of the preliminary official statement dated _____, 2020, relating to the Bonds (including all appendices thereto, the “Preliminary Official Statement”) and the making available of the Preliminary Official Statement to investors prior to the date hereof. The City has deemed the Preliminary Official Statement final as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for information permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12. The City hereby acknowledges that the Preliminary Official Statement has been made available to investors in electronic form. The City hereby agrees to deliver or cause to be delivered to the Underwriters, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the final official statement, dated the date hereof (which, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the City and the Underwriter is referred to herein as the “Official Statement”) in sufficient quantity to enable the Underwriter to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The City hereby approves of the distribution and use by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement in printed or electronic form with, and as permitted by, the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. The Underwriter shall advise the City of the date of such filing.

4. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees with the Underwriter as follows:

(a) The City is, and will be on the Closing Date, duly existing as a chartered city organized under the laws of the State of California (the “State”), and has full legal right, power and authority to cause the Bonds to be authenticated and delivered, to execute and deliver the Official Statement and to enter into the Legal Documents and to perform its obligations contained herein and therein, and, when executed and delivered by the other parties thereto, the Legal Documents will constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly approved the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the Legal Documents and the consummation by it of all other transactions contemplated by the Preliminary Official Statement and the Legal Documents;

(c) The City is not in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the issuance of the Bonds and the execution and delivery of the Official Statement and the Legal Documents and compliance with the provisions on the City’s part contained in the Legal Documents, will not in any material respect conflict with or constitute a breach of or default

under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the City after reasonable investigation, threatened, against the City in any material respect affecting the existence of the City or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting, as to the City, the validity or enforceability of the Bonds or the Legal Documents or the collection of Net Revenues of the Water System or other amounts pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would likely to result in a material adverse change in the business, properties, assets or financial condition of the Water System or materially adversely affect the validity or enforceability of the Legal Documents;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and, except as described in or contemplated by the Preliminary Official Statement and the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the Legal Documents have been duly obtained;

(f) The Bonds, the Legal Documents and the other documents described in the Preliminary Official Statement and the Official Statement conform in all material respects to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement, and the Bonds, when delivered as provided herein, will be validly issued and outstanding obligations of the City entitled to the benefits of the Indenture;

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so

long as required for distribution of the Bonds; provided, however, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(h) As of its date and the date hereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not, except as to the information permitted to be omitted by Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will notify the Underwriter, and, if in the opinion of the City, the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Underwriter (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which 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 prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(k) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (j) of this Section 4, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the Official Statement so supplemented or amended (excluding information concerning DTC and the book-entry system as to which no representation is made) will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the later of (i) the Closing Date, or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; provided, however, that the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(m) After the Closing Date, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing;

(n) The City will apply, or cause the application of, the proceeds of the Bonds in accordance with the Indenture;

(o) As of the time of acceptance hereof and as of the Closing Date, the City does not and will not have outstanding any indebtedness which is secured by a lien on Water System Revenues superior to or on a parity with the lien of the Bonds thereon;

(p) Between the date hereof and the Closing Date, except as contemplated by the Preliminary Official Statement and the Official Statement, the City will not have incurred any material liabilities, direct or contingent, payable from Water System Revenues or entered into any material transaction in connection with the Water System in either case other than in the ordinary course of business, and there shall not have been any material adverse change in the financial condition or operations of the Water System;

(q) The financial statements of the [Water Fund][and the City] contained as Appendix A to the Preliminary Official Statement and the Official Statement do and will fairly present the financial position and results of operations of the Water System as of the dates and for the periods therein set forth in accordance with the accounting principles described in Appendix A to the Preliminary Official Statement and the Official Statement applied consistently, and there has not been a material adverse change in the business, properties or financial condition of the City or the Water System from that set forth in or contemplated by the Preliminary Official Statement and the Official Statement;

(r) The City (i) has all necessary licenses and permits required to carry on and operate all of the facilities, equipment and other property comprising the Water System the lack of which would materially adversely affect the operations or financial condition of the Water System, and (ii) has not received any notice of an alleged violation and, to the best knowledge of the City, the City is not in violation of any zoning, land use or other similar law or regulation applicable to any of its property comprising the Water System that would materially adversely affect its operations or financial condition;

(s) Any certificate signed by an authorized officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein; and

(t) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not failed to comply in all material respects with the terms of any continuing disclosure obligation under Rule 15c2-12 within the past five years.

5. Conditions to the Obligations of the Underwriter. The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and the representations and warranties of the City to be contained in the documents and instruments to be delivered on or prior to the Closing Date and upon the performance by the City of its obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material

respects of the representations and warranties of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The City shall have delivered to the Underwriter a letter from [Vasquez & Company LLP](the “Independent Auditors”), dated the date of the Preliminary Official Statement, in form acceptable to the Underwriter, consenting to the references to such firm and the inclusion of the financial statements of the [Water Fund][and the City] as of and for the year ended June 30, 2019 in the Preliminary Official Statement and the Official Statement, or confirmation from the City in a form satisfactory to the Underwriter that no such consent shall be required under the terms of the City’s contract for services of the Independent Auditors;

(b) The Underwriter shall receive, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such quantity as the Underwriter shall have requested pursuant to Section 3 hereof;

(c) The representations and warranties of the City contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing Date;

(d) As of the Closing Date, the Legal Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the City, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and such Legal Documents shall be in full force and effect and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and there shall be in full force and effect such resolution or resolutions of the City Council of the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(e) Between the date hereof and the Closing Date, the Underwriter may terminate this Purchase Contract (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and make any payment for the Bonds) if, in the reasonable judgment of the Underwriter, any of the following shall occur:

(1) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the

Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the City or upon interest received on obligations of the general character of the Bonds which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Bonds) or the interest thereon, or (with respect to the Bonds) any tax exemption granted or authorized by State of California legislation which materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds;

(2) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(3) any of the following shall have occurred (i) the outbreak or escalation in military hostilities or declaration by the United States of a national or international emergency or war, (ii) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury Obligation, (iii) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or political subdivision located in the United States having a population of over 500,000, or (iv) a major financial crisis or any other calamity or crisis the effect of any of which on the financial markets is such as to make it impracticable or inadvisable to proceed with the offering or delivery of the Bonds as contemplated hereby or by the Official Statement;

(4) the general suspension of trading on the New York Stock Exchange or other major securities exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities Exchange Commission or any other governmental authority having jurisdiction, which materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds;

(5) the declaration of a general banking moratorium by federal, New York or California authorities, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority having jurisdiction of the subject matter, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds 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, the Underwriter, or a material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including 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;

(7) except as disclosed in or contemplated by the Official Statement, any material adverse change in the business, properties, assets or financial condition of the Water System of the City;

(8) the suspension, withdrawal or downgrading of any rating of the Bonds or any other outstanding debt of the City's Water System by any rating agency then rating such Bonds or other outstanding debt of the City's Water System, or any official action by any rating agency then rating the Bonds to place the Bonds on "Credit Watch" for possible downgrade or on "Negative Outlook" after the date hereof (and provided that the Bonds were not on "Credit Watch" or "Negative Outlook" prior to the date hereof); or

(9) an event shall occur or circumstance shall exist or any information shall become known which makes untrue or incorrect in any material respect at the time of such event or circumstance or information becoming known any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and, in any such case, (a) the City refuses to permit the Official Statement to be supplemented to supply such statement or information or (b) the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Underwriter, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds;

(f) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to the Underwriter and Underwriter's Counsel:

(1) the unqualified approving opinion of Bond Counsel, dated the Closing Date and addressed to the City, substantially in the form attached as Appendix C to the Official Statement;

(2) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as Exhibit B;

(3) a letter, dated the Closing Date and addressed to the Underwriter, of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel to the City, in substantially the form attached hereto as Exhibit C;

(4) an opinion of the City Attorney or other counsel to the City acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, substantially in the form attached hereto as Exhibit D;

(5) an opinion of counsel to the Trustee, dated the Closing Date and addressed to the City and the Underwriter, to the effect that: (i) the Trustee is a national banking association duly organized and validly existing under the laws of the United States of America; (ii) the Trustee is duly eligible and qualified to act as Trustee under the Indenture and as Dissemination Agent under the Continuing Disclosure Agreement; (iii) the Trustee has all requisite power, authority and legal right to execute and deliver the Indenture and the Continuing Disclosure Agreement and to perform its obligations under such documents; (iv) the Trustee has duly authenticated the Bonds; and (v) the Trustee has duly executed and delivered the Indenture and the Continuing Disclosure Agreement and assuming that such documents constitute the legal, valid and binding agreements of the other respective parties thereto, such documents are the legal, valid and binding agreements of the Trustee, enforceable in accordance with their terms, except to the extent enforceability thereof may be subject to (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights and remedies heretofore or hereafter enacted, and (b) the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(6) an opinion of Norton Rose Fulbright US LLP, Underwriter's Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; (ii) assuming the due authorization, execution and delivery of the Continuing Disclosure Agreement by the City and the Trustee and the enforceability thereof, the Continuing Disclosure Agreement is in a form which satisfies the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended; and (iii) on the basis of the information made available to such firm in the course of acting as counsel to the Underwriter (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel in such firm directly involved in rendering legal advice and assistance to the Underwriter in connection with the preparation of the Preliminary Official Statement and the Official Statement that cause them to believe that (a) the Preliminary Official Statement as of its date or as of the date of this Purchase Contract (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Preliminary Official Statement

under the captions “TAX MATTERS,” and in the Appendices to the Preliminary Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, debt service requirements, Underwriter’s discount and CUSIP numbers or (b) the Official Statement as of its date or as of the Closing Date (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the captions “TAX MATTERS,” and in the Appendices to the Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(7) a certificate or certificates, dated the Closing Date, of the City executed by its City Administrator or other appropriate official, to the effect that (i) the representations and warranties of the City in this Purchase Contract are true and correct on and as of the Closing Date as if made on and as of the Closing Date, and the City has complied with and performed all of its covenants and agreements in this Purchase Contract on its part to be complied with and performed at or prior to the Closing; (ii) since June 30, 2019, except as referred to in or as contemplated by the Preliminary Official Statement and the Official Statement, with respect to its Water System, the City has not incurred any financial liabilities, direct or contingent, or entered into any transactions and there has not been any adverse change in the condition, financial or physical, of the Water System, in any case that would materially and adversely affect the ability of the City to meet its obligations under the Indenture; (iii) other than as described in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official, threatened (a) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (b) seeking to restrain or enjoin the delivery of the Bonds, or the collection of Net Revenues of the Water System or other amounts pledged to pay the principal of, premium, if any, and interest on such Bonds or the pledge thereof; (c) in any way contesting or affecting the validity of the Bonds or the Legal Documents; (d) in any way contesting the powers of the City or any authority for the issuance and delivery of the Bonds and the performance of its obligations contained therein or the execution and delivery of the Legal Documents and the performance of its obligations contained therein, nor to the best knowledge of such official after reasonable investigation, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would make invalid or materially adversely affect the authorization, execution, delivery or performance by the City of the foregoing; (e) which would be likely to result in a material adverse change in the business, properties, assets or the financial condition of the Water System or which would be likely to have a material adverse effect on the ability of the City to meet its obligations under the Indenture; or (f) asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material

fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, which certificate shall be in form and substance acceptable to the Underwriter (but in lieu of such certificate, the Underwriter may in its sole discretion accept an opinion of Bond Counsel or other counsel to the City, acceptable to the Underwriter in form and substance, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit);

(8) a certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture and the Continuing Disclosure Agreement; (ii) the Trustee is duly authorized to enter into the Indenture and the Continuing Disclosure Agreement and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture; (iii) the execution and delivery of the Indenture and the Continuing Disclosure Agreement and compliance with the provisions on the Trustee's part contained therein, and the authentication and delivery of the Bonds will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Trustee, affecting the existence of the Trustee or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Indenture against the Trustee, or contesting the power of the Trustee or its authority to enter into, adopt or perform its obligations under the Indenture, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture against the Trustee or the authentication and delivery of the Bonds;

(9) a certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture and the Continuing Disclosure Agreement;

(10) the Official Statement and each supplement or amendment, if any, thereto, executed by the City;

(11) copies of each of the Legal Documents, each duly executed and delivered by the respective parties thereto;

(12) certified copies of all proceedings relating to the authorization and issuance of the Bonds certified by the City Clerk or other appropriate official of the City;

(13) tax certifications by the City in form and substance acceptable to Bond Counsel;

(14) evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(15) evidence that the rating on the Bonds of “__” from [S&P Global Ratings] is in full force and effect as of the Closing Date;

(16) the DTC Blanket Issuer Letter of Representations of the City;

(17) a copy of any Blue Sky Memorandum with respect to the Bonds, prepared by Counsel to the Underwriter;

(18) a copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

(19) evidence of the City’s compliance with the requirements of Section 8855(i) of the California Government Code; and

(20) such additional certificates, instruments and other documents as the Underwriter, Underwriter’s Counsel or Bond Counsel may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of the City’s representations and warranties contained in this Purchase Contract and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to this Purchase Contract.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Contract or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be subject to termination by the Underwriter for any reason permitted by this Purchase Contract, this Purchase Contract and all obligations of the Underwriter hereunder may, at the option of the Underwriter, be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the City, and, upon any such termination, neither the Underwriter nor the City shall have any further obligations hereunder.

6. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City’s obligations hereunder including, but not limited to: (i) the cost of preparation, printing and distribution of the Legal Documents, the Preliminary Official Statement, the Official Statement and any supplements or amendments thereto, including a reasonable number of certified or conformed copies thereof; (ii) the cost of preparation and printing of the Bonds; (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iv) the fees and disbursements of the City’s financial advisor and any engineers, accountants and other experts, consultants or other advisors retained by the City; (v) fees for bond ratings (which include fees of rating agencies and travel expenses of the City); and (vi) all expenses incurred on behalf of City personnel with respect to the financing, including (a) air travel and hotel costs in connection with the pricing of the Bonds, any investor meetings, any rating agency trips and the

Closing, (b) meals and transportation for City personnel during such trips, (c) expenses of City personnel related to attending working group meetings, such as parking, meals and transportation, and (d) any other miscellaneous costs related to the Closing.

(b) The Underwriter shall pay: (i) the cost of preparation and printing of this Purchase Contract and the Preliminary Blue Sky Memorandum; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds; (iii) fees, if any, payable to the California Debt and Investment Advisory Commission, the Municipal Securities Rulemaking Board and DTC; and (iv) all other expenses (including travel and other out-of-pocket expenses) incurred by them in connection with the public offering of the Bonds and the transactions contemplated by this Purchase Contract not outlined in (a) above, including the fees and disbursements of Underwriter's Counsel. The City acknowledges and agrees that some or all of the expenses (including all normally occurring out-of-pocket expenses) to be paid by the Underwriter may be included as part of the expense component of the Underwriter's discount or may be reimbursed to the Underwriter as out-of-pocket expenses.

7. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to: City of Vernon, 4305 South Santa Fe Avenue, Vernon, California 90058, Attention: City Administrator; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the Underwriter: J.P. Morgan Securities LLC, 560 Mission Street, Floor Three, San Francisco, CA 94105, Attention: Will Frymann.

8. Survival of Representations and Warranties The City's representations, warranties and agreements contained in this Purchase Contract or made in any certificate delivered hereunder shall remain operative and in full force and effect, regardless of: (i) any investigations or statements made by or on behalf of the Underwriter; and (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract.

9. No Fiduciary. The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as the agent, fiduciary, financial advisor or municipal advisor of the City, (ii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; (iv) the Underwriter has financial and other interests that differ from those of the City; and (iv) the City has consulted with its own legal, accounting, tax, financial and other advisors to the extent it deemed appropriate.

10. Governing Law. This Purchase Contract shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State.

11. Counterpart Signatures. This Purchase Contract 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.

12. Parties in Interest. This Purchase Contract, when accepted by the City in writing as heretofore specified, shall constitute the entire agreement between the City and the Underwriter in connection with the subject matter hereof and is made solely for the benefit of the City and the Underwriter (including any successor in business of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By: _____
Authorized Representative

Accepted on _____, 2020

CITY OF VERNON

By: _____
City Administrator

ATTEST:

By: _____
City Clerk

SCHEDULE 1

\$ _____
CITY OF VERNON
Water System Revenue Bonds,
2020 Series A

MATURITY SCHEDULE

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Used</u>	<u>Hold-the- Offering Price Rule Used</u>
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REDEMPTION PROVISIONS

[Optional Redemption.] The Bonds with stated maturities on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the “Term Bonds”) with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on August 1, 20__ and each August 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

***Redemption Date
(August 1)***

***Principal
Amount***

\$

†

† Maturity.]

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

\$_____

CITY OF VERNON
Water System Revenue Bonds,
2020 Series A

The undersigned, J.P. Morgan Securities LLC, as underwriter (“J.P. Morgan”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Vernon, California (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule 1.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) J.P. Morgan has offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule 1 (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule 2.

(b) As set forth in the Contract of Purchase dated _____, 2020 (the “Purchase Contract”), between J.P. Morgan and the Issuer, J.P. Morgan agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, J.P. Morgan has not offered or sold any of its Allotted Portion of unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *Allotted Portion* means that portion of a Maturity of the Hold-the-Offering Price Maturities that was retained by or allotted to J.P. Morgan, as identified in Schedule 1.

(b) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule 1 hereto as the “General Rule Maturities.”

(c) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule 1 hereto as the “Hold-the-Offering-Price Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2020.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the undersigned’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this ____st day of _____, 2020.

J.P. MORGAN SECURITIES LLC

By: _____
Name:
Title:

[Note: if any selling group members, add separate certification form for members of selling group]

SCHEDULE 1
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(Attached)

SCHEDULE 2
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

J.P. MORGAN SECURITIES LLC,
as Underwriter
San Francisco, California

Re: \$_____ City of Vernon Water System Revenue Bonds, 2020 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds have been issued pursuant to the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the Vernon City Code, and an Indenture of Trust, dated as of ____ 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”). Capitalized terms used herein and not defined shall have the meanings given to such terms in the Contract of Purchase, dated _____, 2020 (the “Purchase Contract”), by and between the City and J.P. Morgan Securities LLC, as underwriter (the “Underwriter”).

On the date hereof, we delivered to the City our opinion relating to, among other things, the validity of the Bonds (the “Approving Opinion”). You are authorized to rely upon the Approving Opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

(i) The Purchase Contract and the Continuing Disclosure Agreement have each been duly executed and delivered by the City and each of the Purchase Contract and the Continuing Disclosure Agreement is a valid and binding agreement of the City. No opinion regarding the adequacy of the Continuing Disclosure Agreement for purposes of S.E.C. Rule 15c2-12 may be inferred from this opinion.

(ii) The statements contained in the Official Statement under the captions “INTRODUCTION,” “THE 2020 BONDS,” “SECURITY FOR THE 2020 BONDS” and “TAX MATTERS,” and in Appendices B and C, insofar as such statements purport to summarize certain provisions of the Bonds and the Indenture and our opinion with respect to certain federal and state income tax matters related to the Bonds, are accurate in all material respects; and

(iii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions that are expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. This opinion is limited to matters governed by the laws of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Purchase Contract, the Indenture, the Continuing Disclosure Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any "blue sky" laws of any state as they relate to the offer or sale of the Bonds.

The Underwriter has been represented in connection with the purchase of the Bonds by its counsel. No attorney-client relationship has existed or exists between the Underwriter and our firm in connection therewith or by virtue of this letter. This letter is delivered to you as the Underwriter of the Bonds, is solely for your benefit as such, and is not to be used, circulated, quoted or otherwise referred to or relied to or relied upon for any other purpose or by any other person without our prior written consent.

Respectfully submitted,

EXHIBIT C

FORM OF LETTER OF DISCLOSURE COUNSEL

[Closing Date]

J.P. MORGAN SECURITIES LLC,
as Underwriter
San Francisco, California

Re: \$_____ City of Vernon Water System Revenue Bonds, 2020 Series A

Ladies and Gentlemen:

We have acted as disclosure counsel for the City of Vernon (the “City”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being purchased by you, as underwriter of the Bonds pursuant to the terms of a Contract of Purchase (the “Purchase Contract”), dated ____ __, 2020, by and between the City and you. All capitalized terms that are used herein and not defined have the meanings that are ascribed thereto in the Purchase Contract.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Preliminary Official Statement, dated ____ __, 2020 (the “POS”) and the Official Statement, dated ____ __, 2020 (the “Official Statement”), each relating to the Bonds; and (ii) the letters, certificates, and opinions that were delivered to you in connection with the sale of the Bonds. We have not reviewed, and we do not assume any responsibility for any electronic version of the Official Statement and for all purposes of this letter, we have assumed that any electronic version of the Official Statement conforms in all respects to the printed version of the Official Statement.

The conclusions that are expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations that have been made in the documents that we have reviewed are true and accurate. We have assumed, without independent verification, the accuracy of the factual matters that are represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Official Statement.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in any

document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder. Our services as disclosure counsel to the City did not involve the rendering of financial or other non-legal advice to you, the City or any other party to the transaction.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the POS or the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the respective dates of the POS and the Official Statement with representatives of the City, including the City Attorney, the City's municipal advisor, BLX Group, JP Morgan Securities LLC and its counsel Norton Rose Fulbright US LLP, and others, during which conferences the contents of the POS and the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as disclosure counsel to the City, our review of the documents referred to above, our reliance on the oral and written statements of the representatives of the City and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as disclosure counsel to the City, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm performing services for the City as disclosure counsel on this matter which caused us to believe that the POS or the Official Statement as of their respective dates contained, or as of the date hereof contain, any untrue statement of a material fact, or as of their respective dates omitted, or as of the date hereof omit, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the POS and the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices to the Official Statement; (v) any information incorporated by reference into the POS and the Official Statement; (vi) the City's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, review of which matters we understand has been undertaken by you; (vii) any information with respect to the underwriter or underwriting matters with respect to the Bonds, including but not limited to information under the caption "UNDERWRITING"; and (viii) any information with respect to the ratings on the Bonds and the rating agency referenced therein, including but not limited to information under the caption "RATING"). Finally, we advise you that, other than reviewing the various certificates and opinions which are referenced above, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements that are contained in the POS or the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source that is referred to by, or incorporated by reference in, the POS or the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the negative assurance above is not an opinion and is based on certain limited activities performed by specific attorneys in our firm in our role as disclosure counsel to the City; (ii) the scope of the activities performed by

such attorneys in our role as disclosure counsel to the City and for purposes of delivering such negative assurances were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; and (iii) the activities performed by such attorneys in our role as disclosure counsel to the City rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the City.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Bonds and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. We note that you were represented by separate counsel that was retained by you in connection with the transaction described in the Official Statement. No attorney-client relationship has existed or exists between our firm and you in connection with the execution and delivery of the Bonds or by virtue of this letter. This letter is not intended to, and may not, be relied upon by owners of the Bonds, the owners of any beneficial ownership interest in the Bonds or by any other party to whom it is not addressed.

This letter is limited to matters governed by federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement as disclosure counsel to the City with respect to this transaction terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement.

EXHIBIT D

FORM OF OPINION OF CITY ATTORNEY

[Closing Date]

J.P. MORGAN SECURITIES LLC,
as Underwriter
San Francisco, California

Re: \$_____ City of Vernon
Water System Revenue Bonds, 2020 Series A

Ladies and Gentlemen:

I am the City Attorney of the City of Vernon (the “City”) and as such I have served as counsel to the City in connection with the issuance of the City’s \$_____ Water System Revenue Bonds, 2020 Series A (the “Bonds”). As such counsel, I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the City; (ii) all necessary documentation of the City relating to the authorization, execution and delivery of (a) the Indenture of Trust, dated as of March 1, 2020 (the “Indenture”), by and between the City and [The Bank of New York Mellon Trust Company, N.A.], as trustee (the “Trustee”), providing for the issuance of the Bonds, (b) the Continuing Disclosure Agreement, dated [as of] March __, 2020 (the “Continuing Disclosure Agreement”), between the City and the Trustee, as dissemination agent; and (c) the Contract of Purchase, dated _____, 2020 with respect to the Bonds (the “Purchase Contract”), between the City and J.P. Morgan Securities LLC, as Underwriter (the “Underwriter”); and (iii) a Preliminary Official Statement of the City, dated _____, 2020 (the “Preliminary Official Statement”) and an Official Statement of the City, dated _____, 2020 (the “Official Statement”), relating to the Bonds. The Indenture, the Continuing Disclosure Agreement and the Purchase Contract are collectively referred to herein as the “Legal Documents.”

I am of the opinion that:

1. The City is a chartered city, duly created, organized and existing under the Constitution and laws of the State of California and duly qualified to furnish water service within said City.

2. The resolution of the City (the “Resolution”) approving and authorizing the execution and delivery of Legal Documents and approving and authorizing the distribution of the Preliminary Official Statement and the Official Statement and the execution of the Official Statement by the City was duly adopted at a meeting of the City Council of the City, 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.

3. The City has the authority and right to execute, deliver and perform its obligations under the Legal Documents, and the City has complied in all material respects with the provisions of applicable law in all matters relating to the transactions contemplated by the Legal Documents.

4. The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the City, the Official Statement and the Legal Documents have been duly authorized, executed and delivered by the City and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Legal Documents constitute the legal, valid and binding agreements of the City enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and to the application of equitable principles if equitable remedies are sought and to limitations on legal remedies against municipal corporations in the State.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the City of the Legal Documents or the performance by the City of its obligations thereunder or the execution and delivery, on the part of the City, of the Bonds. Under the laws of the State of California, the City has the authority to determine, fix, impose and collect rates and charges for water service and is not presently subject to the regulatory jurisdiction of any state, regional or local governmental regulatory authority other than to the extent described in the Preliminary Official Statement and the Official Statement.

6. The execution and delivery of the Legal Documents by the City and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any instrument relating to the organization, existence or operation of the City, or commitment, agreement or other instrument to which the City is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the City or any of its officers in their respective capacities as such are subject or any provision of the laws of the State of California relating to the City and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to the best of my knowledge, threatened against or affecting the City or any entity affiliated with the City or any of its officers in their respective capacities as such (nor to the best of my knowledge, is there any basis therefor) that questions the powers of the City referred to in paragraph 3 above or in connection with the transactions contemplated by the Legal Documents, or the validity of the proceedings taken by the City in connection with the authorization, execution or delivery of the Legal Documents, or wherein any unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Legal Documents, or that, in any way, would adversely affect the validity or enforceability of the Legal Documents or, in any material respect, the ability of the City to perform its obligations under the Legal Documents.

8. Based upon my participation in the preparation of the Preliminary Official Statement and the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, nothing has come to my attention which would lead me to believe that (i) the Preliminary Official Statement (excluding therefrom the financial statements and the statistical data and the information concerning DTC and the book-entry system included therein, the information under the caption "UNDERWRITING" and the Appendices thereto, as to which no view is expressed) as of its date and as of _____, 2020, contained or contains an 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, not misleading. or (ii) the Official Statement (excluding therefrom the financial statements and the statistical data and the information concerning DTC and the book-entry system included therein, the information under the caption “UNDERWRITING” and the Appendices thereto, as to which no view is expressed) as of its the date and as of the date hereof, contained or contains an 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, not misleading.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Purchase Contract.

Respectfully submitted,

EXHIBIT D

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2020

NEW ISSUE – BOOK-ENTRY ONLY

RATING: See the caption “RATING”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”



\$_____*

CITY OF VERNON

WATER SYSTEM REVENUE BONDS, 2020 SERIES A

Dated: Date of Issuance

Due: August 1, as set forth on the inside front cover page

The 2020 Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2020 Bonds will not receive securities representing their beneficial ownership in the 2020 Bonds purchased. Interest on the 2020 Bonds is payable on [August 1, 2020] and each February 1 and August 1 thereafter, until their maturity or earlier redemption. The principal of and interest on the 2020 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2020 Bonds through their nominees.

The 2020 Bonds are subject to optional and mandatory sinking fund redemption as more fully described in this Official Statement.

The 2020 Bonds are being issued to provide moneys: (i) to finance the acquisition and construction of certain capital improvements to the Water System of the City; (ii) to fund a deposit in the Reserve Fund in satisfaction of the Reserve Requirement; and (iii) to pay costs of issuance of the 2020 Bonds, all as more fully described in this Official Statement.

The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of March 1, 2020, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Water System remaining after the payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE CITY IS PLEDGED. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Front Cover Page

The 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2020 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Norton Rose Fulbright US LLP, and for the Trustee by its counsel. It is anticipated that the 2020 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about March __, 2020.

J.P. Morgan

Dated: March __, 2020

* Preliminary; subject to change.

* Preliminary, subject to change.

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 them 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 the 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.

\$ _____ *

CITY OF VERNON
WATER SYSTEM REVENUE BONDS, 2020 SERIES A

MATURITY SCHEDULE

BASE CUSIP^{®†} _____

<i>Maturity Date</i> <i>(August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP^{®†}</i> <i>Suffix</i>
	\$	%	%		

\$ _____ % Term 2020 Bonds Due August 1, 20__ Yield: _____ % Price: _____ CUSIP^{®†} Suffix _____

* Preliminary; subject to change.

† CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP[®] numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

**CITY OF VERNON
COUNTY OF LOS ANGELES
STATE OF CALIFORNIA**

CITY COUNCIL

Melissa Ybarra, Mayor
Leticia Lopez, Mayor Pro Tem
William “Bill” Davis, Council Member
Carol Menke, Council Member
Diana Gonzales, Council Member

STAFF

Carlos R. Fandino, Jr., City Administrator
Scott Williams, Finance Director/Treasurer
Abraham Alemu, General Manager of Public Utilities
Hema Patel, Esq., City Attorney

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

BLX Group LLC
Los Angeles, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds. 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 a representation 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 a 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 official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2020 BONDS 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 2020 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2020 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms that are used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2020 Bonds are being issued to provide moneys: (i) to finance the acquisition and construction of certain capital improvements to the Water System of the City; (ii) to fund a deposit in the Reserve Fund in satisfaction of the Reserve Requirement; and (iii) to pay costs of issuance of the 2020 Bonds, all as more fully described herein. See the caption “PLAN OF FINANCE.”

Security for the 2020 Bonds. The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s Water System remaining after the payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE CITY IS PLEDGED. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See the caption “SECURITY FOR THE 2020 BONDS.”

Rate Stabilization Fund. The City will establish, maintain and hold in trust under the Indenture a special fund designated as the “Rate Stabilization Fund.” The City will maintain and hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

Rate Covenant. In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues will not include amounts which have been transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in

such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 115% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues will not include any amounts which have been transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

Additional Contracts and Bonds. The Indenture permits the City to execute additional Contracts or to issue additional Bonds on a parity with the obligation to pay principal of and interest on the 2020 Bonds, provided that certain conditions are satisfied as described herein. See the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.” The Indenture also permits the City to execute or issue obligations payable on a subordinate basis to the 2020 Bonds.

Reserve Fund. A Reserve Fund for the 2020 Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. If one Business Day prior to any Interest Payment Date the moneys in the Payment Fund are insufficient to pay amounts due on the 2020 Bonds on such Interest Payment Date, the Trustee will transfer from the Reserve Fund to the Payment Fund the amount of such insufficiency. See the caption “SECURITY FOR THE 2020 BONDS—Reserve Fund.”

Redemption. The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2020 BONDS—Redemption of the 2020 Bonds.”

The City and the Water System. The City was incorporated in 1905 under the general laws of the State of California. City voters approved a charter in 1988 and the City thereafter became a charter city. The City has a land area of approximately 5.2 square miles and an estimated population of 240 people as of December 1, 2019. Land use in the City primarily consists of industrial development, with small areas devoted to commercial and residential uses. The City is located in the County of Los Angeles, approximately 5 miles south of downtown Los Angeles. See the caption “THE CITY.”

The City provides water service to approximately 238 industrial, 829 commercial and 38 residential and other customers as of June 30, 2019. The City’s Water System includes approximately 244,000 linear feet of water mains, 3 booster stations and 8 reservoirs (one of which is elevated and one of which is below ground) which provide total operational storage of approximately 16.375 million gallons. The City pumps groundwater from 8 wells which are located within the Central Groundwater Basin, an adjudicated groundwater basin. The City also purchases imported water at wholesale and recycled water from Central Basin Municipal Water District, a member agency of The Metropolitan Water District of Southern California. See the caption “THE WATER SYSTEM.”

\$ _____ *

CITY OF VERNON
WATER SYSTEM REVENUE BONDS, 2020 SERIES A

INTRODUCTION

This Official Statement, including the front cover page, the inside front cover page and all appendices, provides certain information concerning the sale and delivery of the City of Vernon Water System Revenue Bonds, 2020 Series A (the “**2020 Bonds**”). The 2020 Bonds are being issued pursuant to Article II of the Charter of the City of Vernon (the “**City**”), the City of Vernon Municipal Facilities Revenue Bond Law, constituting Article XI of the Vernon City Code, an Indenture of Trust, dated as of March 1, 2020 (the “**Indenture**”), by and between the City and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “**Trustee**”).

The 2020 Bonds are being issued to provide moneys: (i) to finance the acquisition and construction of certain capital improvements to the Water System of the City (the “**2020 Project**”); (ii) to fund a deposit in the Reserve Fund in satisfaction of the Reserve Requirement; and (iii) to pay costs of issuance of the 2020 Bonds. See the caption “PLAN OF FINANCE.”

The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s Water System (the “**Water System**”) remaining after the payment of Operation and Maintenance Costs of the Water System, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture.

A Reserve Fund for the 2020 Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. If one Business Day prior to any Interest Payment Date the moneys in the Payment Fund are insufficient to pay amounts due on the 2020 Bonds on such Interest Payment Date, the Trustee will transfer from the Reserve Fund to the Payment Fund the amount of such insufficiency. See the caption “SECURITY FOR THE 2020 BONDS—Reserve Fund.”

The City may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2020 Bonds in the future as described under the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.”

The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2020 BONDS—Redemption of the 2020 Bonds.”

The summaries and references to the Indenture and all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture or the respective document, statute, report or instrument, copies of which are available for inspection at the offices of the City in Vernon, California or from the Trustee upon request and payment of duplication cost. The capitalization of any word that is not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning that is given to it in the Indenture. See Appendix B for a summary of the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the City.

The City regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2020 Bonds may obtain a copy of such reports, as available, from the Trustee or the City. Additional information regarding the Official Statement may be obtained by contacting the Trustee or the City of Vernon, 4305 South Santa Fe Avenue, Vernon, California 90058, Attention: Finance Department.

* Preliminary; subject to change.

The City has also undertaken to provide annual reports and notice of certain enumerated events to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") pursuant to a continuing disclosure agreement. See the caption "CONTINUING DISCLOSURE" and Appendix E.

PLAN OF FINANCE

The 2020 Project

The 2020 Project consists of the following capital improvements: (i) construction of two new groundwater wells, as discussed under the caption "THE WATER SYSTEM—Water Supply—Groundwater;" and (ii) upgrades and rehabilitations of existing water wells, reservoirs, tanks, pumps, generators, pipelines, fencing and other equipment. See the caption "THE WATER SYSTEM—Future Water System Capital Improvements" for a full listing of anticipated capital projects, including the 2020 Project, in the current and next four fiscal years of the City ending June 30 (each, a "Fiscal Year").

The City expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2020 Project as required by law and to complete the 2020 Project by early 2023.

Pursuant to the Indenture, the City may substitute or add additional projects to the 2020 Project. See Appendix B under the caption "ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS—Changes to the 2020 Project."

Estimated Sources And Uses Of Funds

The following table sets forth the estimated sources and uses of funds:

Sources⁽¹⁾:

Principal Amount	\$
Plus/Less Net Original Issue Premium/Discount	_____
Total Sources	\$ _____

Uses⁽¹⁾:

Deposit to Acquisition Fund ⁽²⁾	\$
Deposit to Reserve Fund	
Costs of Issuance ⁽³⁾	_____
Total Uses	\$ _____

⁽¹⁾ All amounts rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Includes amounts being applied to reimburse the City for previous expenditures on the 2020 Project.

⁽³⁾ Includes Underwriter's discount and certain legal, municipal advisory, rating agency, printing, and other financing-related costs.

THE 2020 BONDS

General Provisions

The 2020 Bonds will be issued in the aggregate principal amount of \$_____.^{*} The 2020 Bonds will be dated as of their date of initial issuance, will bear interest from such date at the rates per annum set forth on the inside front cover page hereof, payable on [August 1, 2020] and each February 1 and August 1 thereafter (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside front cover

^{*} Preliminary; subject to change.

page hereof. Interest on the 2020 Bonds will be computed on the basis of a 360 day year composed of twelve 30 day months.

The 2020 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2020 Bonds. Ownership interests in the 2020 Bonds may be purchased in book-entry form, in any integral multiple of \$5,000. See the caption “—Book-Entry Only System” below and Appendix D.

In the event that the book-entry only system that is described below is discontinued, the principal of and redemption premium (if any) on the 2020 Bonds are payable by check of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “**Office of the Trustee**”). Interest on the 2020 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “**Registration Books**”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “**Record Date**”), such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2020 Bonds may, at such Owner’s option, be paid by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2020 Bonds will be payable in lawful money of the United States.

Each 2020 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before [July 15], 2020, in which event it will bear interest from its date of issuance; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system that is described herein is discontinued, the 2020 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2020 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds are surrendered for transfer, the City will execute and the Trustee will authenticate and deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like aggregate principal amount of the same maturity. The Trustee will require the 2020 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

The 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same maturity. The Trustee is not required to exchange any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption. The Trustee will require the 2020 Bond Owner requesting such exchange to

pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Prior to any transfer of the 2020 Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

Redemption of the 2020 Bonds

Optional Redemption.* The 2020 Bonds with stated maturities on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption.* The 2020 Bonds maturing on August 1, 20__ (the “**Term Bonds**”) with stated maturities on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on August 1, 20__ and each August 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (August 1)</i>	<i>Principal Amount</i>
20__	\$

†

† Maturity.

If some but not all of the Term Bonds are redeemed pursuant to the optional redemption provisions of the Indenture (as described under the subcaption “—Optional Redemption”), the principal amount of the applicable Term Bonds to be redeemed pursuant to the Indenture on any subsequent August 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to optional redemption provisions of the Indenture.

Notice of Redemption

Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, in the case of 2020 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on

* Preliminary; subject to change.

each of said 2020 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2020 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2020 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2020 Bond. Notice of redemption of 2020 Bonds will be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2020 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2020 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book-Entry Only System

One fully-registered 2020 Bond of each maturity will be issued in the principal amount of the 2020 Bonds of such maturity. Such 2020 Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the 2020 Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the 2020 Bonds (the “**Beneficial Owners**”).

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2020 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer. See the caption “—Transfers and Exchanges Upon Termination of Book-Entry Only System.”

The City cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2020 Bonds received by DTC or its Nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners (as such term is defined in Appendix D), or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2020 Bonds for the period ending June 30 in each of the years indicated, assuming no optional redemptions of the 2020 Bonds.

<i>Period Ending June 30</i>	<i>2020 Bonds Principal</i>	<i>2020 Bonds Interest</i>	<i>2020 Bonds Total Debt Service</i>
2020	\$	\$	\$
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
TOTAL			

Source: Underwriter.

SECURITY FOR THE 2020 BONDS

Limited Obligations Payable From Net Revenues

General. The City is obligated to make payments of principal of and interest on the 2020 Bonds solely from Net Revenues. The term “**Net Revenues**” means, for any period, the Revenues of the Water System for such period less the Operation and Maintenance Costs of the Water System for such period. See Appendix B for detailed definitions of “Revenues” and “Operation and Maintenance Costs.” When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or realized gain derived from the investment of amounts in any of such funds or accounts.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE GENERAL CREDIT OR TAXING POWER OF THE CITY IS PLEDGED. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Pledge and Assignment; Revenue Fund. All of the Revenues, all amounts held in the Revenue Fund, all amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in the Indenture, and any other amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Rate Stabilization Fund (other than those amounts which are transferred by the City from the Rate Stabilization Fund to the Revenue Fund)) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues may not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Said pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms of the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice of the Indenture.

In order to carry out and effectuate the pledge and lien contained in the Indenture, the City has agreed and covenanted that all Revenues will be received by the City in trust under the Indenture and will be deposited when and as received in the Revenue Fund, which fund the City has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2020 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the City as provided in the Indenture. All moneys in the Revenue Fund will be held in trust and will be applied, used and withdrawn for the purposes set forth below.

The City will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund will be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the third Business Day prior to each Interest Payment Date, the City will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2020 Bonds due and payable on such Interest Payment Date. The City will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. After making the payments, allocations or transfers provided for in clause (i) above, the City will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference,

transfer to the Reserve Fund and to the applicable trustee for such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the Reserve Requirement and the reserve requirement applicable to such Bonds or Contracts, as applicable; provided, however, that the City may provide for the Reserve Fund by means other than cash and Permitted Investments pursuant to the Indenture. See the caption “—Reserve Fund.”

(iii) Surplus. Moneys on deposit in the Revenue Fund on any date when the City reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or any of the purposes described in clauses (i) or (ii) above may be deposited in the Rate Stabilization Fund or expended by the City at any time for any purpose permitted by law. See the caption “—Rate Stabilization Fund.”

(iv) Investments. All moneys held by the City in the Revenue Fund will be invested in Permitted Investments and the investment earnings thereon will remain on deposit in such fund, except as otherwise provided herein.

Allocation of Revenues. There has been established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2020 Bonds received by the Trustee as described above under the subcaption “—Pledge and Assignment; Revenue Fund” will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2020 Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee will transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it becomes due and payable (including accrued interest on any 2020 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the Business Day preceding each date on which the principal of the 2020 Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at maturity, purchase or acceleration; provided, however, that at any time

prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee will apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Rate Stabilization Fund

The City will establish, maintain and hold in trust under the Indenture a special fund designated as the "Rate Stabilization Fund." The City will maintain and hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund as described in clause (iii) under the caption "—Limited Obligations Payable From Net Revenues—Pledge and Assignment; Revenue Fund" will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the defeasance provisions of the Indenture. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

The City does not intend to deposit any moneys in the Rate Stabilization Fund at the time the 2020 Bonds are issued; however, as noted above, the City retains the right to deposit and withdraw moneys from the Rate Stabilization Fund from time to time and apply such moneys in accordance with the Indenture. No assurance can be made that moneys will, in fact, be deposited into the Rate Stabilization Fund or that moneys will be on deposit in the Rate Stabilization Fund to pay debt service on the 2020 Bonds in the event that Net Revenues are insufficient for this purpose.

Rate Covenant

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues will not include amounts which have been transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at or before the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 115% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues will not include any amounts which have been transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but may not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

Additional Indebtedness

Pursuant to the Indenture, the City may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds provided that the following conditions are satisfied:

(a) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues will not include amounts that have been transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year; and

(b) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues will not include amounts that have been transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if total Debt Service after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service would have been prior to the issuance of such Bonds or execution of such Contracts.

Reserve Fund

There has been established with the Trustee a separate account known as the “**Reserve Fund**” solely as security for payments by the City on the 2020 Bonds.

The initial deposit to the Reserve Fund shall be in the amount of \$____, which is equal to the initial Reserve Requirement. The term “**Reserve Requirement**” means initially, \$____, and thereafter the lesser of: (i) \$____; or (ii) the least of: (a) the maximum principal of and interest on the 2020 Bonds due in the then current or any future Fiscal Year; (b) 125% of average annual Debt Service on the Outstanding 2020 Bonds; or (c) 10% of the then-Outstanding principal amount of the 2020 Bonds.

If one Business Day prior to any Interest Payment Date the moneys in the Payment Fund are insufficient to pay amounts due on the 2020 Bonds on such Interest Payment Date, the Trustee will transfer from the Reserve Fund to the Payment Fund the amount of such insufficiency. In the event that the Trustee has transferred moneys from the Reserve Fund to the Payment Fund in accordance with the Indenture, upon

receipt of the moneys from the City to increase the balance in the Reserve Fund to the Reserve Requirement, the Trustee will deposit such moneys in the Reserve Fund.

If the amount available and contained in the Reserve Fund exceeds an amount equal to the Reserve Requirement and if the City is not then in default under the Indenture, the Trustee will semiannually on or before each Interest Payment Date withdraw the amount of such excess from the Reserve Fund and deposit such amount in the Payment Fund, and for such determination the Trustee will make a valuation of the Reserve Fund as often as it may deem appropriate, and in any event on or before each Interest Payment Date in each year. In addition, the Trustee will, on the date all or any portion of the 2020 Bonds are discharged in accordance with the Indenture, value the Reserve Fund in accordance with the Indenture and withdraw the excess, if any, on deposit in the Reserve Fund and transfer such amount to or in accordance with the written direction of the District. Except for such withdrawals, all moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying principal, Redemption Price and interest on the 2020 Bonds in the event that no other moneys of the District are available therefor.

For the purpose of determining the amount in the Reserve Fund, all Permitted Investments credited to the Reserve Fund will be valued at the lower of cost (inclusive of all interest accrued but not paid), or book value.

The District may satisfy the Reserve Requirement to deposit a specified amount in the Reserve Fund by the deposit of: (a) a surety bond; (b) a municipal bond insurance policy; (c) an unconditional irrevocable letter of credit; or (d) any other security device, in each case issued by providers whose long term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, is rated, at the time such security device is issued, “AA” or better by S&P, if S&P is then rating the 2020 Bonds, “AA” or better by Moody’s, if Moody’s is then rating the 2020 Bonds, and “AA” or better by Fitch, if Fitch is then rating the 2020 Bonds.

THE CITY

General

The City was incorporated in 1905 under the general laws of the State of California (the “**State**”). City voters approved a charter in 1988 and the City thereafter became a charter city. The City has a land area of approximately 5.2 square miles and an estimated population of 240 people as of December 1, 2019. Land use in the City primarily consists of industrial development, with small areas devoted to commercial and residential uses. See the caption “—Land Use and Service Area.” The City provides a wide range of services, such as public utilities (including water, gas, fiber and electric services), police protection and public works. The City is currently in the process of transitioning fire services from the City’s Fire Department to the County of Los Angeles Fire Department. The transition is expected to be finalized by late 2020.

The City is located in the County of Los Angeles (the “**County**”), approximately 5 miles south of downtown Los Angeles. The City has extensive rail lines running through it, as well as two large intermodal freight yards at the City northern boundaries, to serve its industrial customer base. It is also located along Interstate 710 and is in close proximity to Interstates 5, 10, 105 and 110. With its location along or near these freeways, its close proximity to the Ports of Los Angeles and Long Beach and Los Angeles International Airport, together with the rail lines within the City, the City has access to a significant transportation network. The City has diversified from its origins as a hub for livestock businesses and there are currently over 1,700 industrial firms employing approximately 37,000 people within the City.

The City provides water service to approximately 238 industrial, 829 commercial and 38 residential and other customers as of June 30, 2019. The City’s Water System includes approximately 244,000 linear feet of water mains, 3 booster stations and 8 reservoirs (one of which is elevated and one of which is below ground) which provide total operational storage of approximately 16.375 million gallons.

The City pumps groundwater from 8 wells which are located within the Central Groundwater Basin, an adjudicated groundwater basin. The City also purchases imported water at wholesale and recycled water from Central Basin Municipal Water District (“CBMWD”), a member agency of The Metropolitan Water District of Southern California (“MWD”).

Land Use and Service Area

The Water System provides water to a service area of approximately 3.7 square miles (the majority of the geographic area of the City), with small areas within the northeast and southeast boundaries of the City served by private water companies. The service area is largely built out and primarily encompasses industrial and commercial businesses, with small areas of residential use. In Fiscal Year 2019, industrial and commercial customers consumed approximately 99.7% of the water served by the City. Because the Water System’s customer base is primarily industrial and commercial, water demand is not dependent on population growth or precipitation but is closely tied to regional, national and international economic trends. Many of the City’s industrial and commercial customers have operated in the City for decades. In addition, the City has a low vacancy rate of less than 2.5% (as of the fourth quarter of 2018, the latest period for which such information is available), and the City believes that other businesses would quickly fill any vacant spaces upon the departure of a large customer of the Water System.

Governance and Management

General. The City is governed by a five-member City Council, the members of which are elected at large for staggered four year terms. Council members select a Mayor and Mayor Pro Tem from among the City Council. The current Mayor and City Council members and the expiration dates of their terms are set forth below.

CITY OF VERNON Mayor and City Council Members

<i>Name and Title</i>	<i>Expiration of Term</i>
Melissa Ybarra, Mayor	April 2022
Leticia Lopez, Mayor Pro Tem	April 2021
William “Bill” Davis, Council Member	April 2023
Carol Menke, Council Member	April 2024
Diana Gonzales, Council Member	April 2020

The City Administrator, who is appointed by the City Council, serves as the City’s chief executive officer and is responsible for overseeing the daily operations of City departments. The City Administrator serves as an advisor to the City Council on policy matters, supports the informational and policymaking needs of the City Council, implements City Council decisions and prepares, manages and implements the City’s annual budgets and Capital Improvement Program.

Carlos R. Fandino, Jr. has served as the City Administrator since 2016. Mr. Fandino previously worked for the City’s Gas and Electric Department (now known as Vernon Public Utilities), serving in a variety of capacities, including as General Manager. Mr. Fandino previously served in the United States Marine Corps and is a Desert Storm/Desert Shield combat veteran. He obtained a Bachelor’s degree in Business & Management from the University of Woodbury in Burbank, graduating Magna Cum Laude.

Other key personnel responsible for management of the Water System include the Director of Finance/Treasurer and the General Manager of Public Utilities.

Scott Williams is the Director of Finance/Treasurer of the City. Mr. Williams has been with the City since 2019 and has over 20 years of financial management experience. Prior to coming to the City, Mr.

Williams served as the Finance Director and Administrative Services Officer for the City of Signal Hill, California, and in various financial management positions in both the public and private sector. Mr. Williams obtained a Bachelor's degree in Business Administration from The Master's University, an MBA from California State University, Monterey Bay, and a Doctorate in Public Administration from California Baptist University in Riverside, California. Mr. Williams is a member of the California Society of Municipal Finance Officers, the California Municipal Treasurers Association, the Association of Certified Fraud Examiners and the Institute of Management Accountants.

Abraham Alemu is the General Manager of Public Utilities of the City. Mr. Alemu has been with the City since 1992. Mr. Alemu obtained a Bachelor's degree in Electrical Engineering from California State University, Los Angeles, and a Masters in Business Administration from Woodbury University. Mr. Alemu is a Registered Professional Engineer in California and a member of the Institute of Electrical and Electronics Engineers.

Management Policies. The City has adopted several policies which are designed to ensure the prudent and effective management of City operations, including an investment policy and a debt management policy. Further information about each such policy is set forth below.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "**Investment Policy**"), which was most recently amended on July 2, 2019. The Investment Policy sets forth the policies and procedures that are applicable to the investment of City funds and designates eligible investments. The Investment Policy also sets forth stated objectives, including the assurance of the safety of invested funds by limiting credit and market risks, the maintenance of sufficient liquidity, compliance with law and the attainment of the best yield or returns on investments. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Yield.

The City Council has delegated the authority to invest funds of the City to the City Treasurer, who must invest City funds in accordance with the prudent person standard under California Civil Code § 2261 *et seq.*

The Investment Policy provides a number of permitted investment categories, including: (i) United States Treasury securities and other federal government securities with a maximum maturity of 5 years; (ii) asset-backed securities with a maximum maturity of 5 years; (iii) certificates of deposit with a maximum maturity of 5 years (limited to 30% of the portfolio); (iv) bankers' acceptances with a maximum maturity of 180 days (limited 40% of the portfolio); (v) repurchase agreement with a maximum maturity of one year; (vi) money market mutual funds (limited to 20% of the portfolio); and (vii) the Local Agency Investment Fund of the State (limited to \$50 million).

As of June 30, 2019, the City had total moneys invested in the amount of \$99,924,928 in permitted investments under the Investment Policy ([excluding] cash and capital reserves of the Water System). The City has not specifically allocated any portion of such amounts to the Water Enterprise Fund. See the caption "FINANCIAL INFORMATION—Available Cash" for information about available cash and capital reserves of the Water Enterprise Fund.

The City Treasurer is required to provide a quarterly report to the City Administrator and the City Council detailing the City's investments, dates of maturity, amounts invested, current market value, rate of interest and other such information as may be required by the City Council. For additional information relating to the Investment Policy, see Note [2] to the City's audited financial statements set forth in Appendix A.

Debt Management Policy. The City's debt management policy addresses the matters that are required by California Government Code § 8855(i), including: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the City's capital improvement program or budget; (iv) policy goals related to the City's planning goals and objectives; and (v) the internal control procedures which ensure that the proceeds of each debt issuance are directed to their intended use.

Business and Industry Commission. In July 2014, the City established the Vernon Business and Industry Commission to advise, assist and make recommendations to the City regarding ways to make the City more attractive to employees, businesses and investors while appropriately considering the needs and concerns of the residential communities within and in close proximity to the City. The Business and Industry Commission represents the consolidation of two previously existing Ad Hoc Advisory Committees created and appointed by the City Council, one on Electric Rates and the other on Business Development. The Commission is comprised of seven members from the following categories who are appointed by the City Council: three City business representatives, two City real estate representatives, one employee of a business located in the City or who is a member of a labor union that represents workers at a business located in the City and one current City Council Member. The Business and Industry Commission meets quarterly to provide input and make recommendations to the City on a number of matters relating to or impacting business and industrial development with the City, including water rate adjustments. The input and recommendations provided by the Business and Industry Commission are not binding on the City.

Prior Attempt to Disincorporate City; City Reform

In December 2010, Assembly Bill 46 ("AB 46"), an act to disincorporate the City and make it part of the unincorporated territory of the County, was introduced into the State Assembly. AB 46 stated that it was motivated by, among other things, a desire to eliminate alleged corrupt practices by City officials, including misuse of public funds and excessive salaries and concern with the close relationship between the City management and its relatively small number of residents. A companion bill, Assembly Bill 781 ("AB 781"), was also introduced which, among other things, would have transferred the Water System to a special district governed by the Board of Supervisors of the County. The enactment of AB 781 was dependent upon the enactment of AB 46. The City took the position that AB 46 violated the provisions of the State Constitution providing that a vote of the City electorate was necessary to repeal a city charter.

Both bills were opposed by many of the residents and businesses within the City as well as labor unions representing workers within the City. Although both bills were passed by the State Assembly, the bills were not approved by the State Senate and neither bill became law. In connection with the State Senate's consideration of AB 46 and AB 781, the City Council agreed to a reform program proposed by the State Senator for the senatorial district in which the City is located (the "**De Leon Plan**"). A key recommendation of the De Leon Plan was implemented in December 2011 when former State Attorney General and County District Attorney John Van de Kamp was retained by the City to serve as the City's Independent Reform Monitor for a four-year term, commencing February 15, 2012. As part of this engagement, the Independent Reform Monitor evaluated and assessed the City's reform progress on a periodic basis and issued recommendations in semi-annual reports to the City.

Since 2011, the City has implemented a variety of good governance reform measures. In November 2011, the City Council placed before the electorate a series of amendments to the City's charter to implement significant elements of the reform program. The amendments were overwhelmingly passed by the voters and are now in effect. In October 2013, the City Council adopted a personnel merit system to replace the City's former at-will employment system. The City's personnel policy and procedures manual provides for City staff salaries to be set based on comparable labor market data as part of a periodic Citywide classification and compensation study, and the City believes that City salaries have been adjusted to a level that more closely reflects salaries for comparable positions in other cities in the State. Additionally, the selection process for

hiring the City's senior administration officials was revised and now utilizes professional search firms and interview panels.

In September 2011, a week after the State Senate vote on AB 46, the Joint Legislative Audit Committee of the State Legislature requested that the Bureau of State Audits undertake an audit of the City and its Gas and Electric Department. The City fully cooperated with the Bureau of State Audits and, in September 2014, the Bureau of State Audits concluded that although a few of the recommendations were still in progress, no further follow-up responses from the City were required at that time.

In early 2016, the four-year term of the Independent Reform Monitor ended and was not renewed.

Although the City is not aware of any further attempt to disincorporate the City or any audits or investigations, the City can provide no assurances that there will not be a future attempt to disincorporate the City or calls for additional reform of City governance. Should any future disincorporation attempts be successful, or should any future audits or investigations result in the identification or allegation of any impropriety, or should the City be required to implement additional reforms of its practices and procedures, the City cannot predict what effects, if any, such events would have on the City, its Water System or the 2020 Bonds.

Employees

As of June 30, 2019, the City had approximately 256 full-time equivalent employees, of whom approximately 14 worked solely on behalf of the Water System. Certain employees of the Public Utilities Department are represented by the International Brotherhood of Electrical Workers Local 47 (the "**IBEW**") and the Teamsters Local 911 (the "**Teamsters**"). Relations between the City and the IBEW are governed by a memorandum of understanding which expires on June 30, 2022 and relations between the City and the Teamsters are governed by a memorandum of understanding which expires on June 30, 2022. Certain management, supervisory and professional employees are unrepresented. The City has never experienced a strike, slowdown or work stoppage.

Employee Benefits

Pension Obligations. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("**GASB**") Statement No. 68 ("**GASB 68**"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City's accounting and reporting requirements, but it does not change the City's pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees who operate the Water System. The City's Miscellaneous plan is administered by the California Public Employees Retirement System ("**CalPERS**"). CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

CITY OF VERNON
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions

	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired On or After January 1, 2013 (Not Prior CalPERS Members)</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Minimum Retirement Age	50	52
Monthly Benefits as % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Employee Normal Cost	8.0% ⁽¹⁾	5.75% ⁽²⁾
Employer Normal Cost Rate	9.433%	9.433%

⁽¹⁾ [Employees who were hired before January 1, 2013 are required to make the full employee contribution.] [The City makes ___% of the required employee contribution for employees who were hired before January 1, 2013].

⁽²⁾ Employees who were hired on or after January 1, 2013 who were not previously CalPERS members are required to make the full employee contribution.

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36-month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also capped pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

CITY OF VERNON
Pensionable Income Caps for Calendar Year 2019 (AB 340 and Non-AB 340 Employees)

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$280,000	\$149,016
Maximum Pensionable Income if also Participating in Social Security	N/A	\$124,180

Source: City.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual

basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

Required employer normal cost rates for Fiscal Year 2019 were 9.433% for all benefit levels, and the required employer payment of the unfunded accrued liability was \$2,397,908. Required employer normal cost rates for Fiscal Year 2020 are 10.862% for all benefit levels, and the required employer payment of the unfunded accrued liability is \$2,852,713.

The Miscellaneous plan contributions for Fiscal Years 2018 and 2019 were \$8,713,902 and \$8,896,669, respectively. The City currently expects its annual required contribution for the Miscellaneous plan in Fiscal Year 2020 to be approximately \$7,566,993. The share of such contributions which is attributable to the Water System is determined based on the proportion of Water Enterprise Fund payroll expenditures to payroll expenditures for all City employees who participate in the Miscellaneous plan. Such share was 8.0% in Fiscal Year 2019, and is expected to be approximately 8.4% in Fiscal Year 2020.

The City's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00%. Effective with its June 2017 Comprehensive Annual Financial Report, CalPERS reduced its discount rate to 7.15% and its investment rate of return to 7.15%. The discount rate for Fiscal Year 2020 is 7.00%.

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the City's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments (relative to the unfunded accrued liability payments projected in the June 30, 2015 valuation report) for miscellaneous pension plans. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports

and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The City’s Miscellaneous plan had a total net pension liability of approximately \$34,060,942 for the Fiscal Year ended June 30, 2018 and approximately \$36,594,112 for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

[CONFIRM] [For Fiscal Years 2018 and 2019, the City incurred Miscellaneous plan pension expenses of \$3,173,495 and \$8,476,844, respectively.]

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.

CITY OF VERNON
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: City.

Changes in the net pension liability for the City’s Miscellaneous plan in the most recent Fiscal Year for which information is available were as follows:

CITY OF VERNON
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2017	\$ 153,756,378	\$ 119,695,436	\$ 34,060,942
Balance at June 30, 2018	<u>163,980,758</u>	<u>127,386,646</u>	<u>36,594,112</u>
Net Changes for period from July 1, 2017 through June 30, 2018	\$ 10,224,380	\$ 7,691,210	\$ 2,533,170

Source: City.

The table below presents the net pension liability of the City’s Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2019 (7.15%), as well as what the net pension liability would be if it

were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the Fiscal Year 2019 rate:

CITY OF VERNON
Sensitivity of the CalPERS Miscellaneous Pension Plan Net Pension Liability to
Changes in the Discount Rate

	<i>Discount Rate – 1 % (6.15%)</i>	<i>Applicable Discount Rate (7.15%)</i>	<i>Discount Rate + 1 % (8.15%)</i>
Plan’s Net Pension Liability/(Asset)	\$60,377,852	\$36,594,112	\$17,177,143

Source: City.

The City’s projections of Operation and Maintenance Costs under the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” do not assume unusual increases in CalPERS contributions or other labor costs in the future. However, no assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2020 Bonds.

For additional information relating to the City’s CalPERS Miscellaneous pension plan, see Note [8] to the City’s audited financial statements set forth in Appendix A.

Post-Employment Benefits. In addition to the pension benefits that are described under the caption “—Pension Obligations,” the City provides certain health care benefits for retired employees and eligible dependents. Substantially all of the City’s full-time employees who are eligible for pension benefits may become eligible for such other post-employment benefits. As of June 30, 2019, 256 employees meet these eligibility requirements and 116 retirees or their beneficiaries participate in the plan, with another 3 eligible to participate but not yet doing so. [Annual required contributions] of approximately \$2,951,698 and \$1,073,477, respectively, were recognized for post-employment health care benefits in Fiscal Years 2018 and 2019.

GASB Statement No. 75 (“**GASB 75**”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the City, the reporting obligation began in Fiscal Year 2018.

The City retained Van Iwaarden Associates (the “**Actuarial Consultant**”) to calculate the City’s post-employment benefits funding status. In a report dated November 15, 2019 (the “**Report**”), the Actuarial Consultant concluded that, as of June 30, 2019, the City’s net liability for post-employment benefits was \$23,100,129. The Actuarial Consultant also concluded that the City’s actuarially determined contribution for Fiscal Year 2020 (the actuarial value of benefits earned during Fiscal Year 2020 plus costs to amortize the unfunded actuarial accrued liability, or “**ADC**”) is \$1,931,700. The share of such contribution which is attributable to the Water System is expected to be approximately 8.4% in Fiscal Year 2020.

Changes in the net liability for the City’s post-employment benefit plan were as follows.

CITY OF VERNON
Changes in Post-Employment Benefit Plan Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Post-Employment Benefit Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Post-Employment Benefit Plan Liability / (Asset)</i>
Balance at June 30, 2018	\$37,355,851	\$1,057,267	\$36,298,584
Balance at June 30, 2019	<u>25,279,784</u>	<u>2,179,655</u>	<u>23,100,129</u>
Net Changes for period from July 1, 2018 through June 30, 2019	(\$12,076,067)	\$1,122,388	(\$13,198,455)

Source: City.

The following table presents the net liability of the City's post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2019 (6.50%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the Fiscal Year 2019 rate:

CITY OF VERNON
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate

	<i>Discount Rate – 1% (5.50%)</i>	<i>Applicable Discount Rate (6.50%)</i>	<i>Discount Rate + 1% (7.50%)</i>
Plan's Net Liability/(Asset)	\$26,234,945	\$23,100,129	\$20,472,569

Source: City.

The City's projections of Operation and Maintenance Costs under the caption "FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the City's annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the City to pay the 2020 Bonds.

For additional information relating to the post-employment benefit plan, see Note [9] to the City's audited financial statements set forth in Appendix A.

Budget Process

The City prepares and adopts a budget on a modified accrual basis for each Fiscal Year which includes proposed expenditures and the means of financing such expenditures. Under the City's budget procedure, the City Administrator submits a proposed budget to the City Council for the Fiscal Year commencing the following July 1. Prior to June 30 of each year, a public hearing is held and public notice is disseminated to obtain public comments and the budget is legally enacted by the City Council through the passage of a resolution.

As discussed under the caption "—General," the City reached an agreement in mid-2019 to transition fire services, which are currently provided by the City's Fire Department, to the County of Los Angeles Fire

Department. As a result of the negotiations with the County of Los Angeles Fire Department and the significant adjustments to the City's budget arising from the outsourcing of fire services and the planned phaseout of the City's Fire Department, the City Council adopted the Fiscal Year 2020 budget on August 20, 2019, after the commencement of Fiscal Year 2020.

City Insurance

The City maintains liability insurance coverage for amounts up to \$20,000,000, with a \$2,000,000 self-insured retention.

The City is self-insured for workers' compensation liabilities for amounts up to \$1,000,000 per occurrence and maintains excess coverage of \$50,000,000.

The City maintains property insurance coverage for amounts up to \$100,000,000, with a deductible of \$25,000. Certain Water System components, including pipelines are not covered by property insurance. The City does not carry earthquake coverage. See the captions "THE WATER SYSTEM—Seismic Considerations" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

The City maintains directors and officers and employee dishonesty insurance coverage for amounts up to \$2,000,000, with a \$150,000 deductible.

The City maintains pollution insurance coverage for amounts up to \$5,000,000, with a \$5,000,000 aggregate and a \$50,000 self-insured retention.

The City has not settled any claims that exceeded its insurance coverages in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the 2020 Bonds are outstanding. See Appendix B under the caption "PARTICULAR COVENANTS—Insurance" for a description of insurance coverages that are required to be maintained while the 2020 Bonds are Outstanding.

No Outstanding Senior or Parity Obligations

Other than obligations which constitute Operation and Maintenance Costs, there are no debt or contractual obligations which are payable from Water System Revenues on a senior basis to, or on a parity with, the 2020 Bonds.

The City has entered into a Loan Agreement, dated as of May 16, 2019 (the "**WRD Loan**"), with The Water Replenishment District of Southern California ("**WRD**") to finance the cost of a new groundwater well. See the caption "THE WATER SYSTEM—Water Supply—Groundwater." Under the WRD Loan, which bears no interest, the City borrowed \$1,500,000, to be repaid in quarterly installments through April 1, 2031. Although it is the City's practice to make payments on the WRD Loan from surplus Revenues of the Water System, the WRD Loan is payable from any City revenues and no Water System revenues are pledged to repayment.

THE WATER SYSTEM

General

The City provides water service to approximately 238 industrial, 829 commercial and 38 residential and other customers as of June 30, 2019. The City's Water System includes approximately 244,000 linear feet of water mains, 3 booster stations and 8 reservoirs (one of which is elevated and one of which is below

ground) which provide total operational storage of approximately 16.375 million gallons (or approximately 50 acre feet).

The City pumps groundwater from 8 wells which are located within the Central Groundwater Basin, an adjudicated groundwater basin. See the caption “—Water Supply—Groundwater.” The City also purchases water imported from the State Water Project (the “SWP”) at wholesale, and recycled water, from CBMWD, a member agency of MWD. See the captions “—Water Supply—Imported Water Supply” and “—Water Supply—Recycled Water,” respectively.

As discussed under the caption “—Water Supply—Groundwater,” the City is currently constructing two new groundwater wells.

Water Quality

General. Groundwater that is pumped from City wells is generally of high quality and does not require extensive treatment prior to delivery to customers. The Public Utilities Department routinely submits groundwater samples to a third party laboratory for analysis in compliance with State law.

The City also purchases treated potable water and recycled water from CBMWD. Such water does not require treatment prior to delivery to customers.

PFAS. The State Water Resources Control Board (the “SWRCB”) Division of Drinking Water (the “Division”) has lowered the Notification Levels for Perfluorooctanoic acid (“PFOA”) and Perfluorooctanesulfonic acid (“PFOS”) to 5.1 and 6.5 parts per trillion (“PPT”), respectively. Notification Levels are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. The City understands that the Division may also lower the Response Level for PFOA and PFOS from 70 PPT, combined, to about 10 to 12 PPT, each in early 2020. Response Levels are non-regulatory, precautionary health-based measures that are set at higher levels than Notification Levels and represent thresholds at which the Division recommends that water systems remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds referred to as per- and polyfluoroalkyl substances (“PFAS”). PFAS are water and lipid resistant and are useful for a variety of manufacturing processes and industrial applications. The City understands that recent technological advances have enabled water agencies to detect PFAS compounds at very low concentrations.

No discernible traces of PFAS have been found in the City’s groundwater sources to date. The City tested its wells for PFAS under the UCMR3 (Unregulated Contaminant Monitoring Rule), resulting in a “non-detect” determination. The City does not anticipate that implementation of the proposed lower Response Level for PFAS would have a material adverse effect on the operation of the Water System or the costs thereof. The projected operating results which are set forth under the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” reflect the City’s current expectation that there will not be significant increases in water treatment or purchase costs to meet State regulations relating to PFAS.

Water Supply

The City’s primary source of water is groundwater from City-owned wells. The City also purchases SWP water from CBMWD, a member agency of MWD. The Water System’s goal is to minimize purchases of imported water from CBMWD, which is more expensive than groundwater produced from the City’s wells. In addition, the City purchases recycled water from CBMWD. Each of these sources is described below. See Table 4 under the caption “—Historical Water Supply Sources and Usage” for historical information with respect to the amount of the City’s water supply derived from each of such sources.

Groundwater. The City's 8 groundwater wells have a combined production capacity of approximately 10.2 million gallons per day ("**mgd**"), which is sufficient to supply all of the current average daily demand within the Water System service area. The City's wells have depths between approximately 1,020 and 2,500 feet. The City's wells are located in the Central Groundwater Basin, which encompasses an area of approximately 250 square miles. The amount of groundwater that is held in the Central Groundwater Basin fluctuates depending upon precipitation, pumping demand and the availability of replenishment water.

The City is currently in the process of constructing a new well (Well 22), which is expected to produce 2,000-3,000 gallons of water per minute (equivalent to 2.88-4.32 mgd). The City also plans to construct an additional well (Well 23) in Fiscal Year 2023, which is expected to produce 2,000-3,000 gallons of water per minute. The total cost to drill the two wells, which are expected to come online in 2021 and 2023, respectively, is estimated at \$3,800,000. The City has entered into the WRD Loan in the amount of \$1,500,000 to fund a portion of such costs. See the caption "THE CITY—No Outstanding Senior or Parity Obligations." 2020 Bond proceeds will also fund a portion of such costs. See the caption "PLAN OF FINANCE—The 2020 Project." The construction of the new wells is expected to reduce the City's reliance on imported water to supply Water System customers, resulting in reduced Operation and Maintenance Costs given the fact that imported water is significantly more expensive than groundwater produced from City wells. See the subcaption "—Imported Water Supply."

The Central Groundwater Basin is an adjudicated groundwater basin, the adjudication of which is overseen and administered pursuant to the terms of a judgment (the "**Judgment**") entered in the Superior Court of California, County of Los Angeles. The Judgment, which became effective in 1966 and which was amended in 2013, adjudicated groundwater rights for entities which represent over 75% of the groundwater pumping rights in the Central Groundwater Basin. The Judgment contains a physical solution to meet the requirements of water users having rights in or dependent upon the Central Groundwater Basin.

Under the Judgment, as amended in 2013, the Central Groundwater Basin is administered by a Watermaster, which is composed of three bodies: (i) the Water Rights Panel; (ii) the Administrative Body; and (iii) the Storage Panel.

The Water Rights Panel is made up of seven Central Groundwater Basin water rights holders. Six are elected by their representative group (with parties grouped based upon the amount of their pumping rights, votes being weighted by such rights) and one member is elected at large by all water rights holders (with one vote each).

WRD, a special water replenishment district that was established in 1959 under the Water Code, serves as the Administrative Body. Its role as a component of the Watermaster is to accept pumping reports and summarize records for review by the Water Rights Panel. WRD also collects Replenishment Assessments from groundwater pumpers and undertakes certain activities with the proceeds thereof, as detailed below.

The Storage Panel consists of the Water Rights Panel and the WRD Board of Directors.

The Judgment limits the amount of groundwater that each party to the Judgment can extract annually from the Central Groundwater Basin to such party's "Allowed Pumping Allocation." The total pumping rights of all parties to the Judgment in the Central Groundwater Basin is 217,367 acre feet per year. In order to provide flexibility with respect to groundwater pumping, the Judgment allows a party to carry over a portion (limited to the greater of: (i) 60% of the party's Allowed Pumping Allocation less amounts in storage in the Central Groundwater Basin; or (ii) 20% of the party's Allowed Pumping Allocation) of such party's unused pumping rights into succeeding years. The Judgment also allows a party to extract amounts in excess of its Allowed Pumping Allocation with approval from the Water Rights Panel, provided that over-extraction is made up over a period not to exceed five years. In addition, the Judgment permits parties to transfer pumping rights from year to year.

Pursuant to the Judgment, the City has been allocated an Allowed Pumping Allocation of 7,539 acre feet per year. Over the last three Fiscal Years, the City has underproduced its available pumping rights, resulting in carryover for production in subsequent years. As of June 30, 2019, the City had a total of 4,136.86 of carryover.

The District pays WRD a Replenishment Assessment in order to extract groundwater from the Central Groundwater Basin. The Replenishment Assessment, which is equal to \$365 per acre foot of groundwater extracted for Fiscal Year 2020, is applied by WRD to the following purposes: (i) purchasing water for replenishment into the Central Groundwater Basin; (ii) financing capital projects and supporting debt service on WRD obligations; and (iii) removing contaminants from groundwater.

As an adjudicated groundwater basin, the Central Groundwater Basin is not subject to the provisions of State Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act), a Statewide effort regulate groundwater which was enacted on September 16, 2014.

Imported Water Supply. The imported water source for the City is CBMWD. CBMWD is a member agency of MWD and receives water through MWD. The imported water delivered to the City from CBMWD consists of SWP water from northern California and the Colorado River which is treated prior to delivery to the City.

The City is entitled but not obligated to purchase water from CBMWD when available at rates that are determined by CBMWD's governing board. CBMWD's rates are designed primarily to recover CBMWD's costs to purchase water from MWD. CBMWD also levies a surcharge above the rates that it pays MWD. The City's practice is to recover the costs of water purchased from CBMWD through the rates that the City charges Water System customers. See the caption "—Water System Rates and Charges—General."

The City currently pays CBMWD the following rates for imported water purchases: (i) a Tier 1 MWD rate of \$1,078 per acre foot or a Tier 2 MWD rate of \$1,165 per acre foot; (ii) a surcharge of \$190 per acre foot; (iii) a charge of \$11,582 per year, representing the City's share of a readiness-to-serve charge levied by MWD on CBMWD, together with a surcharge thereon imposed by CMBWD; (iv) a capacity charge of \$4,150 per cubic feet per second per year; (v) a water meter service charge of \$117 per cubic feet per second per month; and (vi) an annual fixed meter charge of \$2 per retail connection.

The City, along with several other public agency customers of CBMWD, is currently engaged in litigation with CBMWD with respect to the above-described "retail meter charge" which the City and the other agencies allege has been improperly billed by CBMWD. The case, which is entitled *City of Signal Hill et al. v. Central Basin Municipal Water District et al.*, Case No. 19STCP03882 (Superior Court of California, County of Los Angeles), is a Petition for Writ of Mandate and Complaint for Determination of Invalidity and Declaratory Relief and was filed on September 6, 2019. The City has paid certain amounts billed by CMBWD under protest and does not expect that an unfavorable outcome with respect to the dispute will result in the City becoming obligated to make additional payments to CBMWD, while a favorable outcome with respect to the dispute could make additional credits available to the City.

CBMWD and MWD face various challenges in the continued supply of imported water to the City. A description of these challenges as well as a variety of other operating information with respect to CBMWD and MWD is included in certain disclosure documents prepared by CBMWD and MWD, respectively. CBMWD and MWD each have certain publicly available documents and have entered into certain continuing disclosure agreements pursuant to which they are contractually obligated for the benefit of owners of certain of their respective outstanding obligations to file annual reports, notices of enumerated events as defined under 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 ("Rule 15c2-12"), and annual audited financial statements with the Municipal Securities Rulemaking Board. None of such information is incorporated into this Official

Statement by reference thereto, and the City makes no representation as to the accuracy or completeness of such information. NEITHER CBMWD NOR MWD HAVE ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE TRUSTEE OR THE OWNERS OF THE 2020 BONDS TO PROVIDE ANY INFORMATION ABOUT CBMWD OR MWD TO THE CITY OR THE OWNERS OF THE 2020 BONDS.

NEITHER CBMWD NOR MWD HAVE REVIEWED THIS OFFICIAL STATEMENT AND NEITHER CBMWD NOR MWD HAVE MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO CBMWD AND MWD, RESPECTIVELY. NEITHER CBMWD NOR MWD IS CONTRACTUALLY OBLIGATED, AND NEITHER CBMWD NOR MWD HAVE UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE 2020 BONDS UNDER RULE 15c2-12.

Recycled Water. CBMWD purchases recycled water meeting the requirements of Title 22 of the California Code of Regulations which is produced by the County Sanitation Districts of Los Angeles County (the “**Sanitation Districts**”) for resale to retail agencies such as the City. The source of the recycled water is tertiary treated wastewater from the Sanitation Districts’ San Jose Creek and Los Coyotes Water Reclamation Plants, which are located in Whittier and Cerritos, California, respectively. The City pays CBMWD a fixed rate in the current amount of \$759 per acre foot of recycled water. However, pursuant to an agreement with CBMWD, the City receives up to a \$353 credit for each acre foot of recycled water purchased by the City.

Currently, the City’s sole recycled water customer is the Malburg Generating Station, a combined cycle natural gas-fired electrical generating plant located in the City.

Seismic Considerations

The City is located in a seismically active region. Significant faults are located near the City, including the Newport-Inglewood Fault. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the City, including the Water System, which may affect the City’s ability to supply water to its customers. The City has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the City to be temporary, localized and reparable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. All facilities have been designed and constructed in compliance with the City’s construction standards.

The City does not maintain earthquake insurance on Water System facilities. See the captions “THE CITY—City Insurance” and “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

Drought Response

State Orders. On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the “**Declaration**”) with immediate effect. The Declaration encouraged local urban water suppliers, including the City, to implement their local water shortage contingency plans, and the City implemented Phase One of its plan in the wake of the Declaration. See the subcaption “—Water Shortage Contingency Plan” for a description of the City’s plan. The Declaration also

required DWR and the SWRCB to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the City to effect a 12% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a “stress test” of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency’s updated mandatory conservation target.

The City’s self-certification demonstrated that it had sufficient supplies to meet its projected demands, even if the State were to have endured three more years of drought. Consequently, the City’s mandatory conservation target was eliminated retroactive to June 1, 2016.

On April 7, 2017, after significant improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most counties in the State (including the County).

The City is currently operating under normal supply conditions, as described below under the caption “—Water Shortage Contingency Plan.”

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The City is unable to predict the substance, timing or effect on the Water System of regulations implementing Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

Water Shortage Contingency Plan. The City’s water shortage contingency plan is set forth in Article VI of Chapter 25 of the City’s Municipal Code. Under the City’s plan, the City responds to a water shortage in stages (referred to as “Phase One,” “Phase Two” and “Phase Three”) as follows, in each case subject to publication by the City of its determination of the applicable stage in a local newspaper and the mailing of notice thereof to Water System customers:

- Under normal supply conditions, wasteful use of water (including washing down paved areas, allowing sprinkler irrigation to run off, operating decorative water features that do not recirculate water and irrigating landscapes between 10:00 a.m. and 5:00 p.m.) is prohibited, and water leaks must be repaired as soon as reasonably practicable. The City is currently operating under normal supply conditions.

- Phase One is intended to be implemented when water supplies are expected to be curtailed by more than 20%. The restrictions applicable to normal supply conditions are in effect and irrigation with potable water is limited to three days per week between the hours of 6:00 p.m. and 6:00 a.m. only. In addition, water leaks must be repaired within 72 hours of notification by the City.

- Phase Two is intended to be implemented when water supplies are expected to be curtailed by more than 30%. Irrigation with potable water is limited to two days per week (except between the months of November and March, when it is limited to one day per week) on a schedule established and posted by the City. In addition, water leaks must be repaired within 48 hours of notification by the City and customers are required to limit water use to 85% of the amount used during the corresponding billing period two years prior to the declaration of the Phase One stage.

- Phase Three is intended to be implemented when water supplies are expected to be curtailed by more than 50%. Irrigation with potable water is prohibited, water leaks must be repaired within 24 hours of notification by the City and customers are required to limit water use to 75% of the amount used during the

corresponding billing period two years prior to the declaration of the Phase One stage. In addition, the City may require commercial and industrial businesses which use more than 100 acre feet of potable water per year to prepare a water conservation plan and submit quarterly progress reports with respect to compliance with such plan.

The City's water shortage contingency plan authorizes the City to levy increasing fines for successive violations of the water restrictions and water rate penalties for excess water usage when restrictions are in place.

The projected Water System operating results that are set forth under the caption "FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" reflect the assumed continuation of normal supply conditions. The City does not currently expect that the implementation of its water shortage contingency plan in the future will have a material adverse effect on its ability to pay the 2020 Bonds from Net Revenues. As discussed under the caption "—Water System Rates and Charges," the City's rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs, while fixed water charges largely cover the Water System's fixed Operation and Maintenance Costs. In addition, the City has covenanted to set Water System rates and charges in amounts that it expects to be sufficient to pay the 2020 Bonds from Net Revenues. See the caption "SECURITY FOR THE 2020 BONDS—Rate Covenant."

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the City's Water System rates and charges. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of certain restrictions on the City's ability to raise water rates.

Historical Water System Connections and Production

The table below sets forth the number of service connections and water production for the Water System for the last five Fiscal Years.

TABLE 2
CITY OF VERNON WATER SYSTEM
Historical Service Connections and Production

<i>Fiscal Year</i>	<i>Industrial Connections</i>	<i>Commercial Connections</i>	<i>Residential and Other⁽¹⁾ Connections</i>	<i>Recycled Connections</i>	<i>Total Connections</i>	<i>Percentage Change in Connections</i>	<i>Water Production in Acre Feet⁽²⁾</i>	<i>Percentage Change in Production</i>
2015	245	823	40	1	1,109	N/A%	8,491	N/A%
2016	243	832	40	1	1,116	0.63	7,904	(6.91)
2017	243	830	40	1	1,114	(0.18)	7,851	(0.67)
2018	242	828	39	1	1,110	(0.36)	7,520	(4.22)
2019	238	829	38	1	1,106	(0.36)	7,350	(2.26)

⁽¹⁾ Other connections include public agencies and institutions.

⁽²⁾ Includes imported and recycled water purchases from CBMWD. See the caption “—Water Supply.” Decreases in water production reflect conservation and increased water use efficiency measures undertaken by the City’s primarily industrial and commercial customer base.

Source: City.

The table below shows water sales Revenues by class of user for the last Fiscal Year.

TABLE 3
CITY OF VERNON WATER SYSTEM
Water Sales Revenues⁽¹⁾ by Class of User
Fiscal Year 2019⁽²⁾

<i>User Class</i>	<i>Water Sales Revenues</i>
Industrial	\$1,929,001
Commercial	6,378,969
Residential/Other	43,336
Recycled	<u>446,812</u>
Total	\$8,798,118

⁽¹⁾ Excludes other Revenues such as meter installation charges, penalties, connection fees and miscellaneous income. See the caption "FINANCIAL INFORMATION—Historical Water System Operating Results and Debt Service Coverage."

⁽²⁾ Reflects [unaudited] actual results. Totals may not add due to rounding.

Source: City.

Historical Water Supply Sources and Usage

The table below summarizes the sources of water supply and deliveries to users in the City for the five most recent Fiscal Years.

TABLE 4
CITY OF VERNON WATER SYSTEM
Historical Water Supply Sources and Usage in Acre Feet⁽¹⁾

<i>Fiscal Year</i>	<i>Local Water</i>	<i>Imported Water⁽²⁾</i>	<i>Recycled Water⁽²⁾</i>	<i>Total Water Usage⁽³⁾</i>	<i>Percentage Change</i>
2015	5,640	879	825	7,344	N/A%
2016	5,647	862	787	7,296	(0.65)
2017	6,008	570	750	7,328	0.44
2018	5,839	454	616	6,909	(5.72)
2019	5,499	582	626	6,707	(2.92)

⁽¹⁾ The numbers shown above differ from the historical water production numbers shown under the caption "—Historical Water System Connections and Production" because the numbers shown above reflect water losses.

⁽²⁾ Reflects purchases from CBMWD. See the caption "—Water Supply."

⁽²⁾ Decreases in water usage reflect conservation and increased water use efficiency measures undertaken by the City's primarily industrial and commercial customer base.

Source: City.

Historic water sales Revenues for the last five Fiscal Years based on the historic water usage set forth in the table above are set forth under the caption "FINANCIAL INFORMATION—Historic Water System Operating Results and Debt Service Coverage."

Largest Water System Customers

The table below shows the largest customers of the Water System for Fiscal Year 2019, as determined by Revenues generated.

TABLE 5
CITY OF VERNON WATER SYSTEM
Ten Largest Water System Customers
Fiscal Year 2019

<i>User</i>	<i>Type of Business</i>	<i>Revenues⁽¹⁾</i>	<i>Percentage of Annual Revenues</i>
Clougherty Packing	Food Processing	\$1,046,035	11.89%
Wimatex	Fabric Dyeing	442,751	5.03
7-Up Bottling Co.	Food Processing	381,373	4.33
Overhill Farms Inc.	Food Processing	225,495	2.56
Pabco Paper Products Co.	Building Materials	224,012	2.55
Fantasy Dyeing and Finishing Inc.	Fabric Dyeing	186,359	2.12
A's Match Dyeing Co. Inc.	Fabric Dyeing	185,596	2.11
Owens Illinois Inc.	Container Packaging	168,508	1.92
The Union Ice Company	Ice Manufacturing	168,146	1.91
Golden West Trading	Food Processing	<u>156,639</u>	<u>1.78</u>
Total		\$3,184,914	36.20%

⁽¹⁾ Rounded to the nearest dollar. Reflects unaudited actual results.
Source: City.

These customers accounted for approximately 36.20% of total water sales revenues of \$8,798,118 (reflecting unaudited actual results) in Fiscal Year 2019.

Water System Rates and Charges

General. The Water System's rates and charges are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City, however, is required to comply with the notice, hearing and majority protest provisions of Article XIID of the State Constitution, which is popularly known as Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for further information with respect to Proposition 218.

The City's Public Utilities Department determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The City Council currently sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of water production and water purchases (including the cost of imported water purchased from CBMWD as discussed under the caption "—Water Supply—Imported Water Supply"), to recover operating expenses for the Water System, to pay debt service and to maintain appropriate reserves for the Water System. Current charges include a fixed service charge based on meter size and a commodity charge based on usage.

The City is subject to certain covenants with respect to the 2020 Bonds which require the City to set Water System rates and charges in amounts that it expects to be sufficient to pay the 2020 Bonds from Net Revenues. See the caption "SECURITY FOR THE 2020 BONDS—Rate Covenant."

In 2019, the City retained a consultant to evaluate the Water System's rates and charges, resulting in the preparation of a detailed rate study in September 2019. On November 19, 2019, after a public hearing as required under Proposition 218, the City Council adopted a comprehensive rate plan for the Water System (the "**Rate Plan**") based upon the findings in the rate study, including Water System rate increases for calendar years 2020 through 2024. Among the goals of the Rate Plan was to increase the percentage of Operation and Maintenance Costs that are paid for from fixed monthly service charges (which are not dependent on water consumption) from approximately 30% to approximately 38% in order to provide greater revenue stability to the Water System and more fully the Water System's fixed costs. In order to accomplish this goal, fixed water rates were doubled, as shown in Table 7 below under the subcaption "—User Charges" below.

The Rate Plan remains in place as of the date hereof. There is no assurance that the City Council will not repeal or modify such rate increases in the future or that the City's ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the City Council.

User Charges. The City adopts water rates and water service charges for the Water System by City Council action. The current water rate structure consists of a fixed monthly service charge that varies by meter size, a commodity rate, as well as certain other charges as described below.

The table below summarizes the commodity rate and certain other water rates charged by the Water System for all customer types.

TABLE 6
CITY OF VERNON WATER SYSTEM
Water Rates

<i>Rate Type</i>	<i>2019 Rate</i>	<i>Current Rate</i>	<i>Rate as of 1/1/2021</i>	<i>Rate as of 1/1/2022</i>	<i>Rate as of 1/1/2023</i>	<i>Rate as of 1/1/2024</i>
Potable Water Consumption Rate ⁽¹⁾	\$2.20600	\$2.20600	\$2.27000	\$2.34000	\$2.41000	\$2.48000
Monthly Square Footage Charge ⁽²⁾	0.00319	0.00364	0.00375	0.00386	0.00398	0.00410
Recycled Water Consumption Rate ⁽³⁾	1.74200	1.74200	N/A	N/A	N/A	N/A

⁽¹⁾ Per 100 cubic feet. The rate will be increased by approximately 3% per annum beginning in 2021 in accordance with the Rate Plan.

⁽²⁾ Charged monthly per square foot of buildings or outside storage space. The charge was increased by approximately 14% in the current calendar year and will be increased by approximately 3% per annum thereafter, all in accordance with the Rate Plan.

⁽³⁾ Per 100 cubic feet. Recycled water rates primarily consist of a pass-through of the rates charged to the City by CBMWD. See the caption "—Water Supply—Recycled Water." See Footnote 1 to Table 13 under the caption "FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" for a description of the District's assumptions with respect to recycled water rates in Fiscal Years 2021 through 2024.

Source: City.

The table below summarizes the City's current monthly water availability charges by meter size.

TABLE 7
CITY OF VERNON WATER SYSTEM
Monthly Water Availability Charges⁽¹⁾

<i>Meter Size</i>	<i>2019 Rate</i>	<i>Current Rate</i>	<i>Rate as of 1/1/2021</i>	<i>Rate as of 1/1/2022</i>	<i>Rate as of 1/1/2023</i>	<i>Rate as of 1/1/2024</i>
5/8"	\$ 8.23	\$ 16.46	\$ 16.95	\$ 17.46	\$ 17.98	\$ 18.52
3/4"	12.34	24.68	25.42	26.18	26.97	27.78
1"	20.57	41.14	42.37	43.64	44.95	46.30
1½"	41.15	82.30	84.77	87.31	89.93	92.63
2"	65.84	131.68	135.63	139.70	143.89	148.21
3"	123.45	246.90	254.31	261.94	269.80	277.89
4"	205.75	411.50	423.85	436.57	449.67	463.16
6"	411.50	823.00	847.69	873.12	899.31	926.29
8"	658.41	1,316.82	1,356.32	1,397.01	1,438.92	1,482.09

⁽¹⁾ Rates were doubled in the current calendar year and will be increased by approximately 3% per annum beginning in 2021 in accordance with the Rate Plan.

Source: City.

Connection Charges. A water connection right must be purchased from the City by anyone who wishes to connect to the Water System. The connection fee is equal to the cost of water service installation. The fee varies per location based on various factors including size of service and complexity.

Comparison to Nearby Service Providers. The table below sets forth a comparison of the City's typical monthly water bill for an industrial and commercial user (reflecting usage of approximately 5,500 hundred cubic feet) to those of certain nearby water purveyors as of June 30, 2019. As shown in Table 2 under the caption "—Historical Water System Connections and Production," industrial and commercial users comprise over 96% of the Water System's customer base.

TABLE 9
CITY OF VERNON WATER SYSTEM
Comparative Rates

<i>Water Service Provider</i>	<i>Average Monthly Water Charge</i>
City of Vernon	\$12,623
City of Whittier	12,691
City of Downey	13,291
City of Cerritos	13,867
City of Long Beach	17,269
City of Pico Rivera	18,288
City of Paramount	18,968
City of Lakewood	19,588
City of Glendale	21,343
City of Santa Fe Springs	24,191
City of South Gate	34,813

Source: City.

Water System Billing and Collection Procedures

Charges for water service are billed monthly on a consolidated bill together with electric services. If payment is not received 20 days after billing, a second notice will be delivered and a \$10 fee will be assessed. Second notice billing statements are due 15 days after delivery. After such time, a door hanger will be hand delivered to the service address and a \$10 final notice fee will be assessed. If payment is not received within 45 days, the City will deliver a disconnection notice and shut off water service; a \$25 disconnection fee will also be assessed. Service will not be restored until all charges have been paid in full. The City is currently developing slight modifications to the foregoing procedure to reflect Senate Bill 998, recently adopted State legislation which applies to shutoffs of delinquent residential customers. As shown in Table 2 under the caption “—Historical Water System Connections and Production,” the Water System has fewer than 40 residential connections.

The City’s rate of delinquency has historically been very low given the City’s primarily industrial and commercial customer base. As of June 30, 2019, none of the City’s customer accounts were delinquent.

Future Water System Capital Improvements

The City projects total capital improvements to the Water System of approximately \$20.5 million over the current and next four Fiscal Years, including the 2020 Project. See the caption “PLAN OF FINANCE—The 2020 Project.”

The capital improvements which are scheduled to be undertaken in Fiscal Years 2020 through 2023 and described in the following table are expected to be financed by a combination of proceeds of the 2020 Bonds deposited in the Acquisition Fund (as specified under the caption “PLAN OF FINANCE—Estimated Sources and Uses”) and Revenues remaining after payment of Water System obligations.

The remaining capital improvements which are scheduled to be undertaken in Fiscal Year 2023 and the capital improvements which are scheduled to be undertaken in Fiscal Year 2024 and described in the following table are expected to be financed by Revenues remaining after payment of Water System obligations. The City does not expect to issue additional Bonds or enter into additional Contracts to finance such capital improvements.

**CITY OF VERNON WATER SYSTEM
Capital Improvement Plan**

<i>Capital Project</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
Well 5 Destruction	\$ 125,000				
Well 11 Pump and Motor	150,000				
Emergency Generator on Well 11	300,000				
Well 20 Rehabilitation	550,000				
Emergency Generator on Well 20	300,000				
Well 17 Rehabilitation	600,000				
Well 22 Drilling and Casing	2,050,000				
Well 22 Wellhead equipment	1,800,000				
New Wells Wellhead Engineering & CM	215,000			\$ 215,000	
New Wells Drilling & Casing Construction Management	155,000			155,000	
Operations Analysis and Master Plan	300,000				
Reservoir condition assessments (6-1MG)	12,000				
Elevated Tank Upgrades (automation)	250,000				
Upgrades for 10MG Reservoir (automation)		\$ 250,000			
Emergency Generator on Well 22		300,000			
Well 15 Rehab		500,000			
Emergency Generator on Well 15		300,000			
Reservoir Demo at Well 20		100,000			
BP1, BP2, BP3 Engineering Design ⁽¹⁾		300,000			
BP1 Pump and Motor Revamp including Right-sizing ⁽¹⁾		500,000			
Emergency Generator on BP1 ⁽¹⁾		300,000			
BP3 Pump and Motor Revamp including Right-sizing ⁽¹⁾		500,000			
BP2 Reservoir Supply Redundancy		100,000			
Repairs Reservoirs BP3 Design & Construction ⁽¹⁾			1,000,000		
BP2 Pump and Motor Revamp including Right-sizing ⁽¹⁾			500,000		
Repairs Reservoirs BP2 Design & Construction ⁽¹⁾			1,000,000		
Dock Demo at OE Clark			254,000		
Well 23 Drilling and Casing				\$ 2,240,090	
Well 23 Wellhead equipment				1,966,909	
Emergency Generator on Well 23					\$ 300,000
AMI Program	100,000	100,000	100,000	100,000	100,000
Electrical Upgrades	500,000	250,000	250,000		
SCADA	250,000				
Pilot Main Replacement Program					1,000,000
Packers/Exchange and Downey Rd Pipeline Extension					100,000
Pump House 2 Refurbishment					40,000
Fence Replacement PP2 & Well 19					30,000
Annual Total	\$ 7,657,000	\$ 3,500,000	\$ 3,104,000	\$ 4,676,999	\$ 1,570,000
Cumulative Total	\$ 7,657,000	\$ 11,157,000	\$ 14,261,000	\$ 18,937,999	\$ 20,507,999

⁽¹⁾ BP stands for Booster Plant.
Source: City.

Projected Water System Connections and Production

Projected service connections and water production for the Water System for the current and next four Fiscal Years are set forth in the table below.

TABLE 10
CITY OF VERNON WATER SYSTEM
Projected Service Connections and Production

<i>Fiscal Year</i>	<i>Industrial Connections</i>	<i>Commercial Connections</i>	<i>Residential and Other⁽¹⁾ Connections</i>	<i>Recycled Connections</i>	<i>Total Connections</i>	<i>Percentage Change in Connections</i>	<i>Water Production in Acre Feet⁽²⁾</i>	<i>Percentage Change in Production</i>
2020	236	831	38	1	1,106	0.00%	7,202	(2.01)%
2021	235	832	37	1	1,105	0.09	7,059	(1.99)
2022	233	834	37	1	1,105	0.00	6,919	(1.98)
2023	231	835	36	1	1,103	0.18	6,784	(1.95)
2024	230	837	36	1	1,104	0.09	6,652	(1.95)

⁽¹⁾ Other connections include public agencies and institutions.

⁽²⁾ Includes imported and recycled water purchases from CBMWD. See the caption “—Water Supply.” Decreases in projected water production reflect the City’s expectation of continued conservation and increased water use efficiency measures undertaken by the City’s primarily industrial and commercial customer base.

Source: City.

Projected Water Supply Sources and Usage

Projected water supply sources and deliveries for the current and next four Fiscal Years are set forth in the table below.

TABLE 11
CITY OF VERNON WATER SYSTEM
Projected Water Supply Sources and Usage in Acre Feet

<i>Fiscal Year</i>	<i>Local Water</i>	<i>Imported Water⁽¹⁾</i>	<i>Recycled Water⁽¹⁾</i>	<i>Total Water Usage⁽²⁾</i>	<i>Percentage Change</i>
2020	5,846	715	586	7,147	6.56%
2021	6,058	360	548	6,966	(2.53)
2022	6,279	0	512	6,791	(2.51)
2023	6,142	0	479	6,621	(2.50)
2024	6,009	0	448	6,457	(2.48)

⁽¹⁾ Reflects purchases from CBMWD. See the caption “—Water Supply.”

⁽²⁾ Decreases in projected water usage reflect the City’s expectation of continued conservation and increased water use efficiency measures undertaken by the City’s primarily industrial and commercial customer base.

Source: City.

Projected water sales Revenues for the current and next four Fiscal Years based on the projected water usage set forth in the table above are set forth under the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.”

FINANCIAL INFORMATION

Financial Statements

A copy of the most recent audited financial statements (the “**Financial Statements**”) of the City and Vernon Public Utilities prepared by the City’s accountant, [Vasquez & Company LLP, Glendale, California] (the “**Auditor**”) are set forth in Appendix A. The Auditor’s letters dated [_____, 2020] are set forth therein. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

The audited financial statements of the City are included for reference only. No moneys of the City (including but not limited to General Fund moneys) except Water System Revenues are pledged to the repayment of the 2020 Bonds.

The summary operating results that are contained under the caption “—Historical Water System Operating Results and Debt Service Coverage” are derived from the Financial Statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto.

The City accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities (“**GAAP**”). In certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the Financial Statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the City’s audited financial statements reflects the application of GAAP.

The Water System of the City is accounted for as within the Vernon Public Utilities Fund, a proprietary fund type (enterprise fund). In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are accounted for using the “economic resources” measurement focus and the 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 the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses include the cost of sales and services and administrative expenses. All expenses which do not meet this definition (other than depreciation, a non-cash item which is not reflected in this Official Statement) are reported as non-operating expenses.

Available Cash

As of December 31, 2019, the Water System had approximately \$6,023,430 in available cash reserves. This amount is equivalent to approximately 270 days of Operation and Maintenance Costs. The Water System also had approximately \$7,992,695 in reserves that are currently allocated to future capital projects but can be reallocated to other purposes in the City’s discretion.

Historical Water System Operating Results and Debt Service Coverage

The table below is a summary of operating results of the Water System for the last five Fiscal Years. The results have been derived from unaudited actual results for Fiscal Year 2019, the Financial Statements and prior audited financial statements of the City but exclude certain non-cash items which are not included as Revenues or Operation and Maintenance Costs and include certain other adjustments. The table has not been reviewed or audited by the City’s Auditor.

TABLE 12
CITY OF VERNON WATER SYSTEM
Historical Operating Results (Fiscal Year Ended June 30)

	2015	2016⁽⁹⁾	2017	2018	2019⁽³⁾
Revenues					
Charges for Services	\$ 8,078,272	\$ 8,042,095	\$ 8,805,108	\$ 9,392,814	\$ 9,345,044
Investment Income	-	-	-	1,796	-
Other Revenues ⁽¹⁾	-	-	-	-	13,468
Total Revenues	\$ 8,078,272	\$ 8,042,095	\$ 8,805,108	\$ 9,394,610	\$ 9,358,512
Operation and Maintenance Costs⁽²⁾					
Cost of Sales	<u>\$ 6,550,220</u>	<u>\$ 6,501,438</u>	<u>\$ 6,723,125</u>	<u>\$ 7,861,103</u>	<u>\$ 8,125,108</u>
Total Operation and Maintenance Costs	\$ 6,550,220	\$ 6,501,438	\$ 6,723,125	\$ 7,861,103	\$ 8,125,108
Net Revenues	\$ 1,528,052	\$ 1,540,657	\$ 2,081,983	\$ 1,533,507	\$ 1,233,404

⁽¹⁾ Includes legal settlement proceeds and other miscellaneous revenues.

⁽²⁾ Operation and Maintenance Costs [do not include] GASB 68 accounting entries, which are non-cash items. There is not a linear correlative relationship between GASB 68 accounting entries and the City’s annual pension contributions because GASB 68

accounting entries are based on assumptions by CalPERS which vary annually. See the caption “THE CITY—Employee Benefits—Pension Obligations” for a description of GASB 68.

(3) Reflects unaudited actual Fiscal Year 2019 results.

Source: City.

Projected Water System Operating Results and Debt Service Coverage

The projected operating results for the Water System for the current and next four Fiscal Years are set forth in the table below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City’s estimate of projected financial results based upon its judgment of the probable occurrence of future events, including that the City’s water shortage contingency plan (as described under the caption “THE WATER SYSTEM—Drought Response—Water Shortage Contingency Plan”) will not be in effect and assumptions set forth in the footnotes to the table set forth below. All of such assumptions are material to the development of the City’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See the caption “CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions.”

TABLE 13
CITY OF VERNON WATER SYSTEM
Projected Operating Results (Fiscal Year Ending June 30)

	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
Revenues					
Charges for Services ⁽¹⁾	\$ 9,476,500	\$ 9,906,000	\$10,202,000	\$10,507,000	\$10,821,000
Investment Income ⁽²⁾	53,100	54,000	55,000	56,000	57,000
Other Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	\$ 9,529,600	\$ 9,960,000	\$10,257,600	\$10,563,000	\$10,878,000
Operation and Maintenance Costs					
Cost of Sales ⁽³⁾	<u>\$ 8,350,975</u>	<u>\$ 8,010,626</u>	<u>\$ 8,327,000</u>	<u>\$ 8,658,000</u>	<u>\$ 9,003,000</u>
Total Operation and Maintenance Costs	\$ 8,350,975	\$ 8,010,626	\$ 8,327,000	\$ 8,658,000	\$ 9,003,000
Net Revenues	\$ 1,178,625	\$ 1,949,374	\$ 1,930,000	\$ 1,905,000	\$ 1,875,000
Debt Service					
2020 Bonds*	\$ []	\$	\$	\$	\$
Total Debt Service*	\$	\$	\$	\$	\$
Debt Service Coverage*					
Revenues Remaining After Payment of Debt Service*	\$	\$	\$	\$	\$ []

(1) Reflects adopted rate increases set forth in the Rate Plan. See the caption “THE WATER SYSTEM—Water System Rates and Charges—User Charges.” Also reflects the following projected recycled water rates: \$1.81359, \$1.88706, \$1.96281 and \$2.04316 per hundred cubic feet in Fiscal Years 2021 through Fiscal Year 2024, respectively.

(2) Reflects projected investment earnings of 2% per annum on Water System reserves.

(3) Reflects projected Operation and Maintenance Costs as set forth in the water rate study that supported the Rate Plan.

Source: City.

* Preliminary, subject to change.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIIB

Article XIIIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIIIIB generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIIIIB includes a requirement that if an entity’s revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for Water Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIIIIB. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant” for a description of the City’s covenant to set rates and charges for the Water Service.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “**Initiative**”) was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIIC and XIID to the State Constitution. According to the “Title and Summary” of the Initiative prepared by the State Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or

charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service are a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIID includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water and wastewater services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to the water rate increases that were approved on December 10, 2019. See the caption “THE WATER SYSTEM—Water System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City does not expect the decision in the *SJC Case* to affect its rate structure. The City’s current rate structure does not include tiers. The City believes that its current water rates comply with the requirements of Proposition 218 because they are cost-based and expects that any future water rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On November 15, 2018, the California Court of Appeal, Third District (the “**Third District**”), issued an opinion in *Wilde v. City of Dunsmuir* (2018) 29 Cal.App.5th 158 (the “**Wilde Case**”) holding that taxpayers have the right under the Initiative to place a referendum on the ballot and vote on whether to repeal a city’s water rates. The *Wilde Case* concerned increases in water rates to fund new water storage and delivery projects of the city (rather than to fund general operations of a water system) which the court concluded were

legislative in nature and therefore subject to referendum. The City has reviewed the *Wilde* Case decision and determined that the decision does not directly impact the City and its water rate structure. The City notes that the Third District also in 2019 issued an opinion in *Howard Jarvis Taxpayers Association v. Amador Water Agency* (2019) 36 Cal.App.5th 279 holding that ratepayers cannot place a referendum on the ballot to vote on repeal of the agency's water rates. This split in opinion has been appealed to the State Supreme Court, where it is awaiting review.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power (whether by initiative under Article XIIC or otherwise, or by referendum, which is not authorized under Article XIIC) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2020 Bonds. Remedies that are available to Beneficial Owners of the 2020 Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2020 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2020 Bonds and the rights and remedies of the 2020 Bond Owners will be exercised through the procedures of DTC.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City believes that its water rates and charges meet the exception that is described in clause (g) above and are not taxes under Proposition 26.

Future Initiatives

Articles XIIB, XIIC and XIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2020 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other

considerations that may be relevant to making an investment decision with respect to the 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2020 Bonds.

Limited Obligations

The obligation of the City to pay the 2020 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to pay the 2020 Bonds does not constitute an obligation for which the general credit or taxing power of the City is pledged.

Accuracy of Assumptions

To estimate the revenues that will be available to pay debt service on the 2020 Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2020 Bonds will, in all likelihood, be less than those projected herein. See the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.” The City may choose, however, to maintain compliance with the rate covenant that is set forth in the Indenture in part by means of contributions from the Rate Stabilization Fund or other available reserves or resources. In such event, Net Revenues may generate amounts which are less than 115% of Debt Service in any given Fiscal Year. See the captions “SECURITY FOR THE 2020 BONDS—Rate Stabilization Fund” and “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

System Demand

There can be no assurance that the demand for water service will occur as described in this Official Statement. Reductions in demand could require an increase in rates or charges in order to comply with the rate covenant. Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn or other factors. See the caption “THE WATER SYSTEM—Water System Rates and Charges” and “—Accuracy of Assumptions.”

System Expenses

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs, increased costs to access groundwater due to land subsidence or falling water tables, increased imported water purchase costs and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

Limited Recourse on Default

If the City defaults on its obligation to pay the principal of and interest on the 2020 Bonds, the Trustee has the right to declare the total unpaid principal of the 2020 Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay the accelerated amounts due on the 2020 Bonds from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the City's ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2020 Bonds. The City believes that its current water rates approved by the City Council were effected in compliance with the public hearing and majority protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System or from other legally available sources. In addition to claims by private parties, changes in the standards for public agency water systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders could also impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues sufficient to pay the 2020 Bonds.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, landslide, land subsidence, high winds, drought or flood, could have an adverse material impact on the economy within the City, the Water System and the revenues available for the payment of the 2020 Bonds. Portions of the Water System may be at risk of damage or destruction from unpredictable seismic activity. The City is not required to maintain earthquake insurance under the Indenture, and does not currently maintain such insurance. See the caption "THE CITY—City Insurance."

The occurrence of natural disasters in the City's service area could result in substantial damage to the Water System which, in turn, could substantially reduce revenue generated by the Water System and affect the ability of the City to pay the 2020 Bonds. The City maintains liability insurance for the Water System and property casualty insurance for certain portions of the Water System. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Furthermore, as described under the caption "THE CITY—City Insurance," significant portions of the Water System, including subsurface pipelines, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the City.

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack

that resulted in the temporary closure of the Port of Los Angeles' largest terminal. To date, there have been no significant cyberattacks on the City's computer systems.

The City employs a multi-level cyber protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering software. The City also contracts with third party vendors to monitor and augment internal monitoring of the City's computer systems. To date, the City has not experienced an attack on its computer operating systems. However, there can be no assurance can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's operations, and the costs related to such attacks could be substantial.

Limitations on Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2020 Bonds may be adversely affected by actions and events outside of the control of the City or actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218." Furthermore, the remedies available to the owners of the 2020 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2020 Bonds will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Indenture or fails to pay principal of and interest on the 2020 Bonds, there can be no assurance as to the availability of remedies adequate to protect the interest of the holders of the 2020 Bonds.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), and 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 on the 2020 Bonds under Section 103 of the Code. Interest on the 2020 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2020 Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the 2020 Bonds. The 2020 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions of the Indenture. See the caption "TAX MATTERS."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that the 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Indenture permits the City to enter into additional Contracts and issue additional Bonds which are payable from Net Revenues on a parity with the 2020 Bonds, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of Bonds could result in reduced Net Revenues available to pay the 2020 Bonds. The City has covenanted to maintain Debt Service coverage of 115%, as further described under the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.”

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the Water System’s finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

Rate Covenant Not a Guarantee

The 2020 Bonds are payable from Net Revenues of the Water System. See the caption “SECURITY FOR THE 2020 BONDS.” The City’s ability to pay debt service on the 2020 Bonds depends on its ability to generate Net Revenues at the levels required by the Indenture. Although the City has covenanted in the Indenture to impose rates and charges as more particularly described under the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant,” and although the City expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the 2020 Bonds. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Revenues realized by the City.

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2020 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2020 Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by the City Attorney, for the Underwriter by its counsel, Norton Rose Fulbright US LLP, and for the Trustee by its counsel.

LITIGATION

At the time of delivery of and payment for the 2020 Bonds, the City will certify substantially to the effect that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any

court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2020 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Indenture, or any action of the City 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 its authority with respect to the 2020 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020 Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2020 Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received with respect to the 2020 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020 Bonds might be affected as a result of such an audit of the 2020

Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2020 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2020 BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2020 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2020 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the 2020 Bonds and the accrual or receipt of interest (and original issue discount) on the 2020 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020 Bonds.

Should interest (and original issue discount) on the 2020 Bonds become includable in gross income for federal income tax purposes, the 2020 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

RATING

The City expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), will assign the 2020 Bonds the rating of "[]". There is no assurance that any credit rating that is given to the 2020 Bonds will be maintained for any period of time or that a rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2020 Bonds. The rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it (which may include

information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions of its own.

The City has covenanted in a Continuing Disclosure Agreement to file notices of any rating changes on the 2020 Bonds with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2020 Bonds may be publicly available from the rating agencies prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2020 Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the 2020 Bonds after the initial issuance of the 2020 Bonds.

In providing a rating on the 2020 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

MUNICIPAL ADVISOR

The City has retained BLX Group LLC as municipal advisor (the “**Municipal Advisor**”) in connection with the issuance of the 2020 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The 2020 Bonds will be purchased by J.P. Morgan Securities LLC (the “**Underwriter**”), pursuant to a purchase contract, dated the date hereof (the “**Purchase Contract**”), by and between the City and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2020 Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the 2020 Bonds, less an Underwriter’s discount of \$_____, plus/less a net original issue premium/discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the 2020 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter has entered into negotiated dealer agreements (each, a “**Dealer Agreement**”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2020 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2020 Bonds that such firm sells.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement, dated as of March 1, 2020, by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent (the **“Dissemination Agent”**) for the benefit of the holders and Beneficial Owners of the 2020 Bonds to provide certain financial information and operating data relating to the City by not later than April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the **“Annual Report”**), commencing on April 1, 2020 with the report for the Fiscal Year ended June 30, 2019 (provided that the first Annual Report will consist solely of this Official Statement), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the **“Rule”**).

[DISCLOSURE RE PRIOR COMPLIANCE TO COME].

In order ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the Dissemination Agent to coordinate, on behalf of the City, the preparation and filing of Annual Reports by the City.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the 2020 Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2020 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF VERNON

By: _____
City Administrator

APPENDIX A

FINANCIAL STATEMENTS

The following pages include audited financial statements of the City and Vernon Public Utilities for the most recent Fiscal Year. The audited financial statements of the City are included for reference only. No moneys of the City (including but not limited to General Fund moneys) except Water System Revenues are pledged to the repayment of the 2020 Bonds.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

[TO COME FROM BOND COUNSEL]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

March __, 2020

City of Vernon
Vernon, California

Re: City of Vernon Water System Revenue Bonds, 2020 Series A

Members of the City Council:

We have examined a certified copy of the record of the proceedings of the City of Vernon (the “City”) relative to the issuance of the \$_____ City of Vernon Water System Revenue Bonds, 2020 Series A (the “2020 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchaser of the 2020 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2020 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2020 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2020 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the City show lawful authority for the issuance and sale of the 2020 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the City. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2020 Bonds and the Indenture are valid and binding obligations of the City enforceable against the City in accordance with their terms.

2. The Indenture creates a valid pledge of and lien and charge upon the Revenues and certain amounts held under the Indenture to secure the payment of the principal of and interest on the 2020 Bonds. The obligation of the City to make the payments of principal of and interest on the 2020 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the City and does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2020 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2020 Bond owner will increase the 2020 Bond Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the 2020 Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020 Bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds are based upon certain representations of fact and certifications made by the City and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that such interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement ends as of the date of issuance of the 2020 Bonds. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2020 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2020 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2020 Bonds or other offering material relating to the 2020 Bonds and expressly disclaim any duty to advise the owners of the 2020 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 Bonds 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 2020 Bond will be issued for each annual maturity of the 2020 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

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 is rated AA+ by Standard & Poor's. 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.

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bonds ("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 2020 Bonds 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 bonds representing their ownership interests in 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds 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 2020 Bonds 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such 2020 Bonds 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.

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 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bonds documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit 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.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2020 Bonds 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 Bonds 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 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, the 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 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.

A 2020 Bond Owner shall give notice to elect to have its 2020 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2020 Bond by causing the Direct Participant to transfer the Participant's interest in the 2020 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2020 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2020 Bond are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2020 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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, 2020 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2020 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2020 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon issuance of the 2020 Bonds, the City proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”) is executed and delivered by and between the City of Vernon (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., in its capacity as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of the City of Vernon Water System Revenue Bonds, 2020 Series A in an aggregate principal amount of \$____ (the “**Bonds**”). The Bonds are being issued by the City pursuant to the provisions of that certain Indenture of Trust, dated as of March 1, 2020 (the “**Indenture**”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”). The City and the Dissemination Agent hereby certify, covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the parties hereto for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized terms used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean each April 1 after the end of the City’s fiscal year, the end of which, as of the date of this Disclosure Agreement, is June 30.

“*Beneficial Owner*” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean, initially, The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the City and has filed with the then-current Dissemination Agent a written acceptance of such designation.

“*Financial Obligation*” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Listed Events*” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board.

“*Official Statement*” shall mean the Official Statement dated March __, 2020, relating to the Bonds.

“*Participating Underwriter*” shall mean J.P. Morgan Securities LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2020 with the Annual Report for fiscal year 2018-19, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement; provided that the filing of the Official Statement with the MSRB shall constitute compliance with this obligation for the first Annual Report Date. Not later than 15 calendar days prior to such date, the City shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the City. The Annual Report must be submitted in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the City may be submitted separately from the balance of the Annual Report, and not later than the date required above for the filings of the Annual Report. 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(a). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished hereunder. The Dissemination Agent may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City in a timely manner shall send to the MSRB a notice in an electronic format as prescribed by the MSRB, accompanied by such identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall:

1. provide any Annual Report received by it to the MSRB by the date required in subsection (a);
2. file a report with the City and the Trustee (if the Dissemination Agent is other than the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement and stating the date it was provided; and
3. take any other actions as are mutually agreed upon between the Dissemination Agent and the City.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the Public Utilities Department of the City (Vernon Public Utilities) for the prior fiscal year, which include information regarding the funds and accounts of the Water System, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available at the time that 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) Principal amount of the Bonds outstanding.

(c) An update of the information for the prior fiscal year in substantially the form set forth in the following tables in the Official Statement under the caption “THE WATER SYSTEM OF THE CITY”:

1. Historical Water System Connections and Production;
2. Historical Water Supply Sources and Usage in Acre Feet; and
3. Ten Largest Water System Customers;

(d) An update of the information for the prior fiscal year in substantially the form set forth in the following table in the Official Statement under the caption “FINANCIAL INFORMATION”:

1. Historical Water System Operating Results and Debt Service Coverage.

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, that are available to the public on the MSRB’s Internet website or filed with the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

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. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
6. Tender offers.
7. Defeasances.
8. Rating changes.
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

1. Unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.
2. Modifications to the rights of Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Bonds.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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.
7. Appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

(c) If the City determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the City, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the City determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the City, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The City hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the City and, if the Dissemination Agent is other than the City, the Dissemination Agent shall not be responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Termination of Reporting Obligation. The obligations of the City and the Dissemination Agent specified in this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. 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 Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall act as Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to annual or event information to be provided hereunder, 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 the City or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver: (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interest of Bond owners.

The City shall describe any amendment to this Disclosure Agreement in the next Annual Report filed after such amendment takes effect.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provisions of this Disclosure Agreement, any Participating Underwriter or any holder or Beneficial Owner of the Bonds, or the Trustee on behalf of the holders of the Bonds, 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 Agreement. A default under this Disclosure Agreement shall not be deemed to be a default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its duties as

described hereunder, if any, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the City pursuant to this Disclosure Agreement. The City shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the Dissemination Agent (if other than the City) and to the City as follows:

City:	City of Vernon 4305 South Santa Fe Avenue Vernon, California 90058 Attention: City Administrator
Dissemination Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust Reference: City of Vernon 2020 Water Bonds

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Date: March __, 2020

CITY OF VERNON

By: _____
City Administrator

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

By: _____
Authorized Signatory

City Council Agenda Item Report

Agenda Item No. COV-78-2020

Submitted by: Lilia Hernandez

Submitting Department: City Administration

Meeting Date: February 18, 2020

SUBJECT

Legislation to Address Use of Public Moneys to Compensate Non-employees for Business Recruitment

Recommendation:

A. Find that the proposed action is exempt from California Environmental Quality Act (CEQA) review, because it is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore does not constitute a "project" as defined by CEQA Guidelines §15378; and
B. Authorize City staff to pursue the development of state legislation that prohibits the use of public moneys to compensate consultants or non-employees for activities related to the recruitment of private companies to relocate any portion of their business from one city or county to another pursuant to any form of sales tax sharing agreement.

Background:

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose a local sales and use tax on purchase transactions in a given county or city. With the ever-changing business landscape, methods in which to conduct business and means to generate revenue continue to evolve, while clarity on point-of-sale taxation continues to remain elusive.

It is important to the City that its economy and revenues be protected. Current laws do not clearly define and/or address modern business practices and set guidelines that advocate for an appropriate distribution of tax revenues. "Sourcing" is a term that is used to determine the place of sale and tax rates that are applied to a given purchase accordingly. In modern business, the application of this term is no longer apparent. Now more than ever, there are cases where the location of the purchaser, the seller, the product, the location of product inventory, the production/manufacturing facility, and/or the location of the sale may each vary. Discrepancies such as these create ambiguous loopholes that allow for unethical practices in the designation of which municipality is entitled to receive sales tax revenues.

As an example, municipalities may engage the use of a third party to actively recruit businesses from one city to another, with an eye toward transferring sales and use tax revenue from the former to the latter. In order to discourage such practices and a corresponding "race to the bottom" among public agencies, cities and counties should be prohibited from using public tax dollars to compensate consultants or non-employees for activities related to the recruitment of private entities to relocate any portion of their business from one city/county to another, diverting revenues that would otherwise remain in the primary host city.

Because Vernon is home to a variety of manufacturing, warehousing, and industry, it is important that the City ensure that proportional tax revenues on goods produced, stored, or distributed from here remain local and not used to enrich individual consultants. Staff is seeking authorization from City Council to pursue statewide legislation that will address existing shortfalls in state laws that may negatively impact Vernon.

Fiscal Impact:

The fiscal impact related to the pursuit of the above legislation could cost up to \$130,000, depending on the fees and costs incurred by the lobbying firm which the City will need to retain to advocate with state legislators in Sacramento on Vernon's behalf. City staff is in the process of publishing a request for proposals (RFP) for lobbying services.

Attachments: