

Date: November 12, 2020

To: Tim Healy and Cyndi Bolden, Napa Sanitation District

From: David Leifer and Bobby Cheung, KNN Public Finance, LLC

Re: Fee Proposal for Napa Sanitation District Revenue Certificates of Participation, Series 2021A

KNN is pleased to serve as Napa Sanitation District's ("District") Municipal Advisor for the \$13.36 million Napa Sanitation District Revenue Certificates of Participation, Series 2021A (the "2021 COPs"). This memo sets forth KNN's proposed fees for the transaction and several of the considerations supporting the fee proposal. The proceeds of the 2021 COPs will be used to finance the cost of the replacement and rehabilitation of 1.3 miles of 66-inch sewer trunk main from Kaiser Road in the City of Napa to influent pump stations at the Soscol Water Recycling Facility.

KNN proposes a fixed transaction fee of \$115,000 for the 2021 COPs, which reflects the complexity of the transaction and time commitment required of our staff. This fee amount is fully contingent upon the successful pricing and closing of the transaction and reflects several considerations. First, the District has not issued debt in several years (since 2017), which will require a detailed review of the District's credit and the re-introduction of the credit to the rating agency and municipal market, including investors. Second, the District will be accessing the market during a period of heightened scrutiny upon underlying credit as a result of the impact of the COVID-19 pandemic upon the economy. KNN will diligently work with District staff to help evaluate the impact of the pandemic upon the District's finances, if any, and assist Disclosure Counsel in the development of the disclosure to potential investors. Third, KNN will work closely with District staff to prepare a detailed rating agency presentation to Standard & Poor's that will summarize the District's key credit highlights and discuss the District's approach to adjusting the post-COVID environment. Finally, the current plan of finance is to sell the 2021 COPs via a competitive sale, which has served the District well in the past. The competitive method of sale involves the canvassing of potential bidders and investors, and the development of parameters for the competitive bid. KNN will continue to closely monitor tax-exempt market conditions as the District moves closer to the pricing of the 2021 COPs.

We have committed a team of multiple KNN advisors to work on the offering, including David Leifer, Bobby Cheung, and Grant Carson. This commitment of resources is necessary to provide effective coverage and ensure the success of the sale. As always, David Leifer will be personally involved in managing the financing and the pricing process. We will bill only for expenses actually incurred with a not-to-exceed cap of \$3,000, assuming no out-of-state travel is necessary.

Please let us know if you would like to discuss any of the above information.

KNN Scope of Services for 2021 COPs

1. Create and manage the Financing Schedule and Distribution List.
2. Assist in determining the appropriate method of sale.
3. Conduct request for proposal/fee solicitation process for various professional services, as needed (trustee, financial printer, underwriter, etc.).
4. Participate in legal document and Official Statement review sessions; attend due diligence, working group meetings, and Board of Director meetings, as necessary.
5. Develop plan of finance and prepare DBC debt service schedules, including alternative debt service and term structures.
6. Prepare rating agency presentation. Participate in rating meeting/conference call. Review draft rating agency credit report for factual accuracy.
7. Assist in determination of key parameters for Board of Directors Resolution, including providing “good faith” estimates to satisfy California Government Code Section 5852.1.
8. Assuming competitive method of sale, monitor tax-exempt market conditions and coordinate timing of competitive sale.
9. Review bid parameters in Official Notice of Sale.
10. Coordinate outreach to potential underwriting firms and investors.
11. Obtain CUSIP number(s) in advance of competitive sale.
12. Coordinate and lead pre-pricing/market update calls.
13. Conduct all events on competitive pricing date, including bid opening, bid verification, re-sizing, and good faith deposit logistics.
14. Coordinate closing activities, including preparing Closing Wiring Instructions Memo.
15. Provide post-closing report.



Exhibit B Fee Schedule

Hourly Fees

Title	Hourly Fee
Managing Director	\$345
Director	\$325
Vice President	\$315
Associate	\$275
Analyst	\$225

KNN's hourly rates are subject to increases at the beginning of every calendar year and may be increased by up to 3.0% per year, subject to prior approval of Napa Sanitation District.