

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 4, 2021

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Special 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) with respect to the Certificates 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 Special Counsel, interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax. See the caption "TAX MATTERS."

NEW ISSUE—BOOK-ENTRY ONLY

RATING: S&P: " _ "

\$8,320,000*

**NAPA SANITATION DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A**

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Certificates are being executed and delivered to provide funds to finance certain capital improvements to the District's Wastewater System and to pay certain costs of delivery of the Certificates.

Interest due with respect to the Certificates is payable on August 1, 2021 and each February 1 and August 1 thereafter. The Certificates are being executed and delivered in fully registered form and when executed and delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the Certificates will not receive certificates representing their beneficial ownership in the Certificates purchased. The principal and interest with respect to the Certificates are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the Certificates through their nominees. Individual purchases will be made in multiple denominations of \$5,000.

The Certificates are subject to optional and mandatory sinking fund prepayment prior to maturity as described in this Official Statement.

The Certificates are payable from Series 2021 Installment Payments payable by the District and amounts on deposit in certain funds and accounts established under the Trust Agreement. The obligation of the District to make Series 2021 Installment Payments is a special obligation of the District payable solely from Net Revenues, consisting of Revenues of the District's Wastewater System remaining after payment of Operation and Maintenance Costs, and from certain other funds and accounts created under the Installment Purchase Agreement, on a parity with the obligation of the District to make payments on up to \$76,286,771 aggregate principal amount of other Bonds and Contracts. The District has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2021 Installment Payments. The District may incur additional obligations on a parity to the Series 2021 Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

No reserve fund has been established in connection with the execution and delivery of the Certificates.

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE DISTRICT AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT 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 quick reference only. It is not a summary of this issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover have the definitions ascribed thereto in this Official Statement.

The Certificates will be awarded on February 11, 2021, as set forth in the Official Notice Inviting Bids dated February 4, 2021. The Certificates will be offered when, as and if delivered and received by the Underwriter, subject to the approval of the validity of the Installment Purchase Agreement and the Trust Agreement by Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, and certain other matters. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the District and the Corporation by Meyers Nave, General Counsel to the District and the Corporation, and for the Trustee by its counsel. It is anticipated that the Certificates will be available for delivery through the facilities of The Depository Trust Company on or about February 25, 2021.

Dated: February __, 2021

* Preliminary, subject to change.

MATURITY SCHEDULE

BASE CUSIP[†] _____

\$8,320,000*

NAPA SANITATION DISTRICT REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A

\$_____ Serial Certificates

<i>Maturity (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
	\$	%	%		

\$_____ % Term Certificates Due August 1, 20__, Yield: __%, Price: _____, CUSIP[†] ____

[†] 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® 2021 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. None of the District, the Corporation or the Underwriter takes any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

NAPA SANITATION DISTRICT

BOARD OF DIRECTORS

Scott Sedgley, Chair
Ryan Gregory, Vice Chair
David Graves, Director
Mary Luros, Director
Peter Mott, Director

DISTRICT STAFF

Tim Healy, General Manager
Andrew Damron, District Engineer
Cyndi Bolden, Senior Accountant
Cheryl Schuh, Board Secretary

SERVICES

General Counsel

Meyers Nave
Oakland, California

Special Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation
Newport Beach, California

Municipal Advisor

KNN Public Finance, LLC
Berkeley, California

Trustee

U.S. Bank National Association
San Francisco, California

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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE CERTIFICATES, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT, THE CORPORATION OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE, AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE CERTIFICATES BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE CERTIFICATES.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

This Official Statement contains forward-looking statements within the meaning of the United States 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, including: (a) statements containing projections of Net Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the District for future operations of its wastewater system; (c) statements of future economic performance of the wastewater system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, “**Forward-Looking Statements**”). All statements other than statements of historical facts included in this Official Statement regarding the District’s financial position, business strategy, capital resources and plans and objectives for future operations of the wastewater system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are believed to be reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the “**Cautionary Statements**”) that could cause actual results to differ materially from expectations of the District are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the District or any person acting on behalf of the District are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the Certificates and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the Certificates, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the certificates to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

\$8,320,000*
NAPA SANITATION DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A

INTRODUCTION

This Official Statement sets forth information concerning the sale and delivery of the Napa Sanitation District Revenue Certificates of Participation, Series 2021A (the “**Certificates**”) to be delivered by U.S. Bank National Association, as trustee (the “**Trustee**”). See the caption “THE CERTIFICATES” for a detailed description of the terms of the Certificates.

The Certificates are being executed and delivered to provide funds to finance certain capital improvements to the District’s Wastewater System (the “**2021 Project**”), as described under the caption “THE 2021 PROJECT,” and to pay certain costs of delivery of the Certificates.

The Certificates are being executed and delivered under a Trust Agreement, dated as of February 1, 2021 (the “**Trust Agreement**”), by and among the Trustee, the Napa Sanitation District (the “**District**”) and Napa Sanitation District Public Financing Corporation (the “**Corporation**”). The Corporation has assigned to the Trustee the right of the Corporation to receive and collect the installment payments (the “**Series 2021 Installment Payments**”) due from the District to the Corporation under the Installment Purchase Agreement, dated as of February 1, 2021 (the “**Installment Purchase Agreement**”), by and between the District and the Corporation, and other amounts payable by the District to the Corporation, pursuant to the Assignment Agreement, dated as of February 1, 2021 (the “**Assignment Agreement**”), by and between the Trustee and the Corporation.

The Certificates are payable from the Series 2021 Installment Payments payable by the District and amounts on deposit in certain funds and accounts established under the Trust Agreement. The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable solely from Net Revenues, consisting of Revenues of the District’s Wastewater System remaining after payment of Operation and Maintenance Costs, and from certain other funds and accounts created under the Installment Purchase Agreement, on a parity with the obligation of the District to make payments on up to \$76,286,771 aggregate principal amount of other Bonds and Contracts, as more particularly described under the caption “THE DISTRICT—Outstanding Parity Obligations.” See the caption “SECURITY FOR THE CERTIFICATES.”

The obligation of the District to pay the Series 2021 Installment Payments does not constitute an obligation of the District for which the District is obligated to levy any form of taxation or for which the District has levied any form of taxation. The obligation of the District to make the Series 2021 Installment Payments under the Installment Purchase Agreement does not constitute a debt of the District or of the State of California (the “**State**”) or of any political subdivision of the State, including the County of Napa (the “**County**”), within the meaning of any constitutional or statutory debt limitation or restriction. Under no circumstances is the District required to advance any moneys derived from any source of income other than the funds described above, nor are any other funds or property of the District liable for the payment of the Series 2021 Installment Payments. No reserve fund has been established in connection with the execution and delivery of the Certificates. See the caption “SECURITY FOR THE CERTIFICATES—Revenue Pledge.”

The District has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2021 Installment Payments. The District may incur additional obligations on a parity with the Series 2021 Installment Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE CERTIFICATES—Limitations on Parity and Superior Obligations; Subordinate Obligations.”

* Preliminary, subject to change.

U.S. Bank National Association will act as Trustee with respect to the Certificates. Certain proceedings in connection with the execution and delivery of the Installment Purchase Agreement and the Trust Agreement are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Special Counsel to the District (“**Special Counsel**”). Certain legal matters will be passed upon for the District and the Corporation by Meyers Nave, Oakland, California, General Counsel to the District and the Corporation. KNN Public Finance, LLC, Berkeley, California is acting as municipal advisor to the District (the “**Municipal Advisor**”).

There follows in this Official Statement (and attached appendices) a brief description of the Certificates, the security for the Certificates, the District, the Wastewater System and certain other information that is relevant to the execution and delivery of the Certificates. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

All capitalized terms which are used in this Official Statement and not normally capitalized have the meanings assigned to them in the Trust Agreement and the Installment Purchase Agreement, the summaries of which are included in Appendix B, unless otherwise stated in this Official Statement.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE 2021 PROJECT

The 2021 Project consists 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, the District’s wastewater treatment plant. See the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—District Facilities—Soscol Water Recycling Facility.”

The District expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2021 Project as required by law, and to complete all components of the 2021 Project by 2024.

Pursuant to the Installment Purchase Agreement, the District may substitute or add additional projects to the 2021 Project. See Appendix B under the caption “INSTALLMENT PURCHASE AGREEMENT—ACQUISITION AND CONSTRUCTION OF THE 2021 PROJECT AND PRIOR PROJECT—Changes to the 2021 Project.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates are set forth below.

Sources⁽¹⁾

Principal Amount of Certificates	\$
Plus/Less Net Original Issue Premium/Discount	
Total Sources	\$

Uses⁽¹⁾

Deposit in Acquisition Fund	\$
Costs of Issuance ⁽²⁾	
Total Uses	\$

⁽¹⁾ Amounts rounded to the nearest dollar.

⁽²⁾ Includes fees of Trustee, Municipal Advisor and Special Counsel, Underwriter's discount, printing costs, rating agency fees and other costs of delivery.

THE CERTIFICATES

Terms of the Certificates

The Certificates will be executed and delivered in the aggregate principal amount of \$8,320,000* and will be dated as of the date of execution and delivery. Interest with respect to the Certificates (other than at maturity) is payable by check or draft of the Trustee mailed by first class mail on August 1, 2021 and each February 1 and August 1 thereafter (each an “**Interest Payment Date**”).

Interest is payable to the registered Owner of the Certificates at the close of business on the fifteenth day of the month preceding the month of such Interest Payment Date (the “**Record Date**”), provided, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, upon written request of such Owner to the Trustee 15 days prior to any Interest Payment Date, such interest will be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States of America. Interest with respect to any Certificate which is payable but has not been punctually paid or duly provided for on any Interest Payment Date will immediately cease to be payable to the owner on the relevant Record Date by virtue of having been such owner and such interest will be payable to the person in whose name such Certificate is registered at the close of business on a special record date as determined by the Trustee.

Interest with respect to the Certificates will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest with respect to the Certificates will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in \$5,000 multiples.

Principal of the Certificates is payable in lawful money of the United States of America at the principal corporate trust office of the Trustee in San Francisco, California.

Prepayment of Certificates

Optional Prepayment. The Certificates maturing on or after August 1, 20__ are subject to optional prepayment prior to their respective stated maturities, as a whole or in part on ____ 1, 20__ or any date thereafter in the order of maturity as directed by the District in a written request to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from amounts prepaid by the District pursuant to the Installment Purchase Agreement at a

* Preliminary, subject to change.

Prepayment Price equal to the principal amount of the Certificates to be prepaid, plus accrued interest represented thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates with stated maturities on August 1, 20__ are subject to mandatory sinking fund prepayment prior to such stated maturity, in part (by lot) on August 1, 20__ and each August 1 thereafter in integral multiples of \$5,000 solely from scheduled Series 2021 Installment Payments paid by the District under the Installment Purchase Agreement, at a prepayment price of the principal amount thereof (together with accrued interest evidenced to the date fixed for prepayment), without premium, in accordance with the following schedule:

Term Certificates Due August 1, 20__

<i>Prepayment Date (August 1)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__	
20__	
20__ [†]	

[†] Maturity.

Notice of Prepayment

Notice of prepayment will be mailed, first class postage prepaid, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books and to the Information Services and by registered or certified or overnight mail or electronically to the Securities Depositories at least 20 days but not more than 60 days prior to the prepayment date.

Each such notice of prepayment will state the date of notice, the prepayment date, the place or places of prepayment and the Prepayment Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be prepaid, the respective portions of the principal amount thereof to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said Certificates the Prepayment Price thereof or of said specified portion of the principal represented thereby in the case of a Certificate to be prepaid in part only, together with interest accrued with respect thereto to the prepayment date, and that (provided that moneys for prepayment have been deposited with the Trustee) from and after such prepayment date interest with respect thereto will cease to accrue, and will require that such Certificate be then surrendered to the Trustee. Any defect in the notice or the mailing will not affect the validity of the prepayment of any Certificate.

With respect to any notice of optional prepayment of Certificates, such notice may state that such prepayment will be conditional upon the receipt by the Trustee on or prior to the date fixed for such prepayment of moneys that are sufficient to pay the principal of, premium, if any, and interest with respect to such Certificates to be prepaid and that, if such moneys shall not have been so received, said notice will be of no force and effect and the Trustee will not be required to prepay such Certificates. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of prepayment was given, that such moneys were not so received.

Book-Entry Only System

One fully-registered Certificate for each maturity and series of the Certificates will be executed and delivered in the principal amount of such Certificate. Such Certificates will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Certificates will be printed and delivered and will be governed by the provisions of the Trust Agreement with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Certificates received by DTC or its nominee as the registered Owner, or any prepayment or other notices, to the Beneficial Owners, 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 hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is abandoned, the Certificates will be printed and delivered as provided in the Trust Agreement. Thereafter, any Certificate may, in accordance with its terms, be transferred upon the Certificate registration books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Certificate for cancellation at the corporate trust office of the Trustee in San Francisco, California, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Whenever any Certificate or Certificates are surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same series and maturity, for a like aggregate principal amount, and of authorized denomination or denominations. The Trustee may charge a sum for each new Certificate executed and delivered upon any transfer. The Trustee may require the payment by any Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Certificates the Trustee will cancel and destroy the Certificates it has received in accordance with its customary procedures.

Certificates may be exchanged at the corporate trust office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Certificate executed and delivered upon any exchange except in the case of any exchange of temporary Certificates for definitive Certificates. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Certificates the Trustee will cancel and destroy the Certificates it has received in accordance with its customary procedures.

The Trustee is not required to register the exchange or transfer of any Certificate: (i) within 15 days preceding selection of Certificates for prepayment; or (ii) selected for prepayment (except for any non-prepaid portion thereof).

Debt Service Schedule

Set forth below is a schedule of debt service with respect to the Certificates and outstanding parity obligations, which equals the Series 2021 Installment Payments for each annual period ending on June 30 in the years indicated.

<i>Period Ending June 30</i>	<i>Parity Obligations⁽¹⁾</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Total Debt Service</i>
2021	\$ 4,582,202	\$	-	\$	\$
2022	4,585,902				
2023	5,546,358				
2024	5,647,252				
2025	5,732,557				
2026	5,722,582				
2027	5,723,307				
2028	5,717,982				
2029	3,962,157				
2030	3,863,602				
2031	3,861,602				
2032	3,865,977				
2033	3,861,289				
2034	1,210,702				
2035	1,210,702				
2036	1,210,702				
2037	1,210,702				
2038	1,210,702				
2039	1,210,702				
2040	1,210,702				
2041	1,210,702				
2042	1,210,702				
2043	1,210,702				
2044	1,210,702				
2045	1,210,702				
2046	1,210,702				
2047	1,210,702				
2048	1,210,702				
2049	1,210,702				
2050	1,210,702				
2051	1,210,702				
TOTAL	\$85,676,104	\$	\$	\$	\$

⁽¹⁾ Includes debt service on obligations described under the caption “THE DISTRICT—Outstanding Parity Obligations.”
Source: KNN Public Finance, LLC.

SECURITY FOR THE CERTIFICATES

General

Each Certificate represents an undivided interest in the Series 2021 Installment Payments to be made by the District under the Installment Purchase Agreement. Pursuant to the Assignment Agreement, the Corporation has assigned substantially all of its right, title and interest in the Installment Purchase Agreement to the Trustee, for the benefit of the Owners of the Certificates, including its right to receive the Series 2021 Installment Payments thereunder and its right to exercise all of the rights and remedies conferred on the Corporation under the Installment Purchase Agreement.

The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable solely from Net Revenues, consisting of Revenues of the District’s Wastewater System remaining after the payment of Operation and Maintenance Costs of the District’s Wastewater System, and from certain other funds and accounts created under the Installment Purchase Agreement, on a parity with the obligation of the District to make payments under certain District obligations which were outstanding in the

aggregate principal amount of \$76,286,771 as of June 30, 2020. See the caption “THE DISTRICT—Outstanding Parity Obligations.”

Revenue Pledge

All Revenues and all amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the Series 2021 Installment Payments as provided in the Installment Purchase Agreement, and the Revenues will not be used for any other purpose while any of the Series 2021 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. Such pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on Revenues, the Revenue Fund and all amounts on deposit in such funds as permitted in the Installment Purchase Agreement and is subject to the application of Revenues in accordance with the Installment Purchase Agreement.

The obligation of the District to make the Series 2021 Installment Payments is payable from Net Revenues. Net Revenues means, for any Fiscal Year of the District (currently, the District’s Fiscal Year begins July 1) (each, a “**Fiscal Year**”), the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year, as such terms are defined in Appendix B under the caption “INSTALLMENT PURCHASE AGREEMENT—DEFINITIONS.”

Allocation of Revenues

In order to carry out and effectuate the pledge and lien of Revenues contained in the Installment Purchase Agreement, the District has agreed and covenanted that all Revenues will be received in the “Revenue Fund,” which fund has been continued and which fund the District has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the District as provided in the Installment Purchase Agreement.

The District 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 District at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds will be held in trust and applied, used and withdrawn only for the purposes authorized in the Installment Purchase Agreement:

Certificate Payment Fund. On or before each Series 2021 Installment Payment Date, the District will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Certificate Payment Fund (as described below under the caption “—Certificate Payment Fund”) a sum equal to the Series 2021 Installment Payment coming due on such Series 2021 Installment Payment Date. The District will also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable 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 the Contract, resolution or indenture relating thereto.

No deposit need be made in the Certificate Payment Fund as Series 2021 Installment Payments if the amount in the Certificate Payment Fund is at least equal to the amount of the Series 2021 Installment Payment due and payable on the next succeeding Series 2021 Installment Payment Date. All money in the Certificate Payment Fund will be used and withdrawn by the Trustee in accordance with the Trust Agreement

Reserve Funds. On or before each Series 2021 Installment Payment Date the District 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 applicable trustee for such 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 with respect thereto.

Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the District will, from moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligation.

Surplus. Moneys on deposit in the Revenue Fund on each Installment Payment Date not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET REVENUES OF THE DISTRICT AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021 INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Certificate Payment Fund

There has been established with the Trustee the Certificate 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 Series 2021 Installment Payments remain unpaid. The Trustee will transfer from the Certificate Payment Fund the following amounts at the times and in the manner provided in the Trust Agreement, and will deposit such amounts in one or more of the following respective funds, each of which the Trustee will establish and maintain and hold in trust separate and apart from other funds held by it, and each of which will be disbursed and applied only as authorized in the Trust Agreement. Such amounts will be so transferred to and deposited in the following respective funds in the following order of priority, the requirements of each such fund at the time of deposit to be satisfied before any transfer is made to any fund subsequent in priority:

Interest Fund. The Trustee will, on each Series 2021 Installment Payment Date (commencing on the Series 2021 Installment Payment Date preceding ____ 1, 202__), deposit in the Interest Fund an amount representing the portion of the Series 2021 Installment Payments designated as interest coming due on the next succeeding February 1 and August 1, as the case may be. No deposit need be made into the Interest Fund so long as there is in such fund moneys sufficient to pay the interest portion of all Certificates then Outstanding on the next February 1 or August 1, as the case may be.

Except as provided in the Trust Agreement, moneys in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest with respect to the Certificates when due and payable (including accrued interest with respect to any Certificates prepaid prior to maturity pursuant to the Trust Agreement).

Principal Fund. The Trustee will, on the Series 2021 Installment Payment Date prior to each August 1 (commencing on the Series 2021 Installment Payment Date preceding August 1, 202__), deposit in the Principal

Fund an amount equal to the principal coming due with respect to the Certificates on the next succeeding August 1. No deposit need be made into the Principal Fund so long as there is in such fund moneys sufficient to pay the portion of all Certificates then Outstanding designated as principal and coming due on the next succeeding August 1.

Except as provided in the Trust Agreement, moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal with respect to the Certificates when due and payable.

Prepayment Fund. Moneys to be used for prepayment of Certificates will be transferred by the Trustee from the Certificate Payment Fund and deposited in the Prepayment Fund on the prepayment date specified in the Written Request of the District filed with the Trustee pursuant to the Installment Purchase Agreement. Said moneys will be set aside in the Prepayment Fund solely for the purpose of prepaying the Certificates in advance of their respective stated maturities and will be applied on or after the date specified for prepayment pursuant to the Trust Agreement to the payment of the Prepayment Price with respect to the Certificates to be prepaid upon presentation and surrender of such Certificates.

Rate Covenant

In each Fiscal Year, to the extent permitted by law, the District will fix, prescribe and collect rates and charges for Wastewater Service (as such term is defined in Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions") which will be at least sufficient to yield during such Fiscal Year Net Revenues which will equal 125% of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Net Revenues or Revenues, as the case may be, from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Installment Payments. The District has covenanted in the Installment Purchase Agreement that the District will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Revenues or any money in the Revenue Fund superior to the pledge securing the Series 2021 Installment Payments.

Additional Obligations on a Parity with the Installment Payments. The District has covenanted in the Installment Purchase Agreement that the District may issue evidences of indebtedness or incur other obligations (referred to as Bonds and Contracts, as such terms are defined in Appendix B) that are payable from or secured by a pledge of and lien on Revenues or any money in the Revenue Fund on a parity with the pledge securing the Series 2021 Installment Payments pursuant to the following terms and conditions:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District 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 both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the District, produce a sum equal to at least 125% of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Wastewater Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the District

and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the District, demonstrate a sum equal to at 125% of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year, assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such proposed additional Contract been executed or such proposed additional Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the District, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Wastewater Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, produce a sum equal to at least 125% of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Subordinate Obligations. The District may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or moneys in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2021 Installment Payments. Currently, there are no subordinate obligations outstanding.

No Reserve Fund

No reserve fund has been established in connection with the execution and delivery of the Certificates.

THE DISTRICT

General

The District was established in 1945 as a county sanitation district pursuant to Chapter 3 of Part 3 of Division 5 of the State Health and Safety Code. The District has broad general powers over the collection, treatment and disposal of wastewater within District boundaries, including the right of eminent domain and the authority to contract with the United States, other political subdivisions, public utilities and other persons. The District also sells recycled water that it produces at its tertiary wastewater treatment plant, the Soscol Water Recycling Facility (the “**SWRF**”), which has a permitted dry weather design capacity of 15.4 million gallons per day (“**MGD**”).

The District is located in the southern portion of the County of Napa (the “**County**”), approximately 50 miles northeast of San Francisco along State Route 29. The District’s approximately 20 square mile service area includes all of the City of Napa and surrounding unincorporated areas of the County, including several vineyards, hotels and golf courses. The service area has a population of approximately 83,500. See the caption “—Land Use and Service Area.”

The District provides wastewater service to approximately 23,941 single family residential connections, 8,764 multi-family residential connections and 5,545 commercial and industrial connections within the District's service area.

The District owns, operates and maintains the Wastewater System, which includes the SWRF, approximately 270 miles of sewer pipelines, 3 lift stations, 27,000 street service laterals, approximately 5,400 sanitary sewer manholes and an estimated 700 flush holes.

See the caption "THE WASTEWATER SYSTEM OF THE DISTRICT."

Land Use and Service Area

Land use within the District is primarily residential, as the City of Napa, with a population of approximately 79,400, is located wholly within and served by the District. Surrounding unincorporated areas served by the District include rural land uses, vineyards, golf courses, hotels and suburban developments. The total population within the District's 20 square mile service area is approximately 83,500. Although areas within the District's boundaries remain undeveloped, the District does not expect significant new development in its service area in the near future.

In 2020, the County Local Agency Formation Commission undertook a Municipal Service Review (the "MSR") of municipal water and wastewater service in the County. The purpose of the MSR was to determine whether water and wastewater service could be more efficiently provided by merging service providers or expanding a service provider's purview or service area. The District does not expect any changes to its services or service area as a result of the MSR.

Governance and Management

General. The District is governed by a five member Board of Directors (the "**Board**"), consisting of two members of the City Council of the City of Napa, one member of the Board of Supervisors of the County and two public appointees. The current Board members are described below.

<i>Board Member</i>	<i>Expiration of Term</i>	<i>Appointment Status</i>
Scott Sedgley, Chair	December 2024	Mayor, City of Napa
Ryan Gregory, Vice Chair	December 2024	Supervisor, County of Napa
David Graves, Director	December 2022	Public Appointee, Winery Owner
Mary Lueros, Director	December 2022	Council Member, City of Napa
Peter Mott, Director	December 2022	Public Appointee, Business Owner

Day-to-day management of the District is delegated to the General Manager, Tim Healy. Mr. Healy has been with the District for 30 years and has served as the District's General Manager since 2010. Prior to being appointed as the District's General Manager, Mr. Healy served as the District's Assistant General Manager and, prior to coming to the District, he worked for the City of Napa. He has 34 years of experience in municipal water and wastewater engineering and management. Mr. Healy holds a Bachelor's Degree in Civil Engineering from the University of the Pacific.

Andrew Damron has been with the District since 2010 and has served as the Technical Services Director and District Engineer since 2016. Mr. Damron has 18 years of experience in design and project management of recycled water and wastewater infrastructure projects. He holds a Bachelor's Degree from the University of California, Davis and a Master's Degree from Texas A&M University, both in Civil Engineering.

Cyndi Bolden serves as Senior Accountant of the District. Ms. Bolden has been with the District since 2002. Prior to joining the District, Ms. Bolden worked as an Account Clerk for the County of Solano. Ms. Bolden holds a Bachelor's Degree in Accounting and Business Management from the University of Phoenix.

Management Policies. The District has adopted several policies which are designed to ensure the prudent and effective management of District operations, including an investment policy, a financial reporting policy, a reserve policy, a debt management policy and a budgeting and capital asset management policy. Further information about each such policy is set forth below.

Investment Policy. The District has adopted the County's investment policy and invests its funds in the County's investment pool. The investment policy sets forth the policies and procedures that are applicable to the investment of District funds and designates eligible investments. The investment policy also sets forth stated objectives, including the assurance of the safety of invested funds, 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 District invests its funds in accordance with the prudent person standard under California Civil Code § 2261 *et seq.* As of June 30, 2020, the District had total moneys invested in the amount of \$32,844,935 (of which \$35,549 was restricted) in permitted investments, nearly all of which was invested in the County's investment pool held by the County Treasurer.

For additional information relating to District's investment policy, see Note 2 to the District's audited financial statements set forth in Appendix A.

Financial Reporting Policy. Under the District's financial reporting policy; (i) the District provides the Board with a comparison of actual revenues and expenditures to budgeted amounts each quarter, with similar information provided to District staff each month; and (ii) the District provides the Board with cash balances and payments to vendors each month.

Reserve Policy. Under the District's reserve policy, the District maintains an operating reserve equal to at least 15% of budgeted annual operating expenses, excluding debt service. The operating reserve may be drawn upon in the event of operational or financial emergencies and, if the operating reserve is drawn upon, the District's next budget will include a plan to replenish the reserve in the following Fiscal Year. Approximately \$6,000,000 was held in the operating reserve as of June 30, 2020.

In addition, the District's reserve policy calls for the District to maintain liquid cash and investments at each June 30 in an amount that is at least equal to anticipated operating expenditures for the period from July 1 to November 30 plus the amount held in the operating reserve which is described in the previous paragraph.

Debt Management Policy. The District'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 District's capital improvement program or budget; (iv) policy goals related to the District'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.

Budgeting and Capital Asset Management Policy. The District's budgeting and capital asset management policy is described under the caption "—Budget Process."

Employees and Employee Benefits

General. As of June 30, 2020, the District had 50 full-time equivalent employees, of whom 7 work in District administration and the balance work in engineering, collections, laboratory, maintenance and operations.

The District has three bargaining units – the Teamsters Local 315 Rank and File Unit, the Teamsters Local 315 Supervisory Unit and the Association of Management Professionals of Napa Sanitation District. Relations between the District and each bargaining unit are governed by a memorandum of understanding, each of which expires on June 30, 2024. The District has never experienced a strike, slowdown or work stoppage.

Pension Obligations. The District’s pension obligations constitute an Operation and Maintenance Cost of the Wastewater System and are payable prior to the Series 2021 Installment Payments.

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 changed the District’s accounting reporting and disclosure requirements, but it did not change the District’s pension plan funding obligations.

The District participates in a Miscellaneous plan to fund pension benefits for its employees. The District’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 District’s permanent employees, with benefits vesting after five years of service. 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 District. CalPERS plan benefit provisions and all other requirements are established by State statute and the Board.

Benefit provisions for District employees are set forth below.

NAPA SANITATION DISTRICT
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions

	<i>Employees Hired Before September 6, 2009</i>	<i>Employees Hired Between September 6, 2009 and December 31, 2012</i>	<i>Employees Hired On and After January 1, 2013</i>
Benefit Formula	2.7% @ age 55	2.0% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50-55	50-63	52-67
Monthly Benefits (as % of Salary)	2.0% - 2.7%	1.426% - 2.418%	1.0% - 2.5%
Employee Contribution Rate	8.0% ⁽¹⁾	7.0% ⁽²⁾	7.22% ⁽³⁾

⁽¹⁾ The District pays a 0.75% portion of the employee contribution for employees who were hired before September 6, 2009.

⁽²⁾ Employees who were hired between September 6, 2009 and December 31, 2012 are required to make the full employee contribution themselves.

⁽³⁾ Employees who were hired on or after January 1, 2013 are required to make the full employee contribution themselves.

Source: District.

Pension benefits are funded in part by employee contributions and in part by District contributions.

District employees who were hired on or 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 – 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 caps pensionable income 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.

NAPA SANITATION DISTRICT
Pensionable Income Caps for 2020 (AB 340 and Non-AB 340 Employees)

	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$285,000	\$151,549
Maximum Pensionable Income if also Participating in Social Security	N/A	\$126,291

Source: District.

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 District's unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is also required to contribute the actuarially determined amounts necessary to fund benefits for employees which are not contributed by the employees themselves. 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.

Beginning in Fiscal Year 2016, CalPERS began collecting employer contributions toward a pension plan's unfunded accrued liability, or "UAL," as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The total required employer contribution rates for the current and two prior Fiscal Years were as follows:

**NAPA SANITATION DISTRICT
Employer Contribution Rates**

<i>Benefit Plan</i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>
2.7% @ age 55	14.375% of payroll plus \$1,247,230 UAL contribution	15.097% of payroll plus \$1,394,035 UAL contribution	16,045% of payroll plus \$886,308 UAL contribution
2.0% @ age 55	10.152% of payroll plus \$5,199 UAL contribution	10.868% of payroll plus \$17,305 UAL contribution	11.746% of payroll plus \$18,776 UAL contribution
2.0% @ age 62 (AB 340 Employees)	7.266% of payroll plus \$2,756 UAL contribution	7.072% of payroll plus \$3,967 UAL contribution	7.874% of payroll plus \$4,377 UAL contribution

Source: District.

The District'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 UAL. 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 District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District'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 2015 through 2020 report investment gains of approximately 2.4%, 0.6%, 11.2%, 8.6%, 6.7% and 4.7%, respectively. The 4.7% investment return in Fiscal Year 2020 was below CalPERS' investment target. See the caption "RISK FACTORS—System Expenses." The District can provide no assurance that CalPERS' earnings will not be reduced in Fiscal Year 2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the District. See the caption "—COVID-19 Outbreak."

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% over a three-year period. For public agencies such as the District, the first discount rate reduction took effect July 1, 2018. 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 who were not previously CalPERS members will also see their contribution rates rise under AB 340. The reduction in 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 District's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term.

For Fiscal Years 2018, 2019 and 2020, the District made total required Miscellaneous plan contributions (including a portion of the employee contribution) of \$956,846, \$1,030,653 and \$1,059,953, respectively. Such contributions constitute an Operation and Maintenance Cost of the Wastewater System that is payable prior to the Series 2021 Installment Payments. The District notes that contributions in future years (beginning in Fiscal Year 2023) may increase in the event of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption "—COVID-19 Outbreak."

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The District 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 District 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 District's Miscellaneous plan had a total net pension liability of approximately \$14,047,419 for the Fiscal Year ended June 30, 2018, approximately \$13,389,874 for the Fiscal Year ended June 30, 2019 and \$13,731,690 for the Fiscal Year ended June 30, 2020. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The District notes that its net pension liability could increase in the future as a result of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption "—COVID-19 Outbreak."

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2020 is shown below.

NAPA SANITATION DISTRICT
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	2.50%
Salary Increases	2.50%
Investment Rate of Return	7.00% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.50%
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 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016.

Source: District.

Changes in the net pension liability for the District's Miscellaneous plan were as follows:

NAPA SANITATION DISTRICT
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, 2018	\$45,367,948	\$31,978,074	\$13,389,874
Balance at June 30, 2019	<u>47,825,351</u>	<u>34,093,661</u>	<u>13,731,690</u>
Net Changes for period from July 1, 2018 through June 30, 2019	\$ 2,457,403	\$ 2,115,587	\$ 341,816

Source: District.

The following table presents the net pension liability of the District's Miscellaneous plan, calculated using the discount rate as of June 30, 2019 (which was applicable to Fiscal Year 2020 (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 current rate:

NAPA SANITATION DISTRICT
Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate

	<i>Discount Rate – 1% (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$20,164,346	\$13,731,690	\$8,421,988

Source: District.

The District's projections of Operation and Maintenance Costs under the caption "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not reflect additional increases in CalPERS normal cost contributions in the future as a result of the COVID-19 outbreak, as the District is unable to quantify the magnitude of any such increases at this time, and any such increases in contributions will not be reflected until Fiscal Year 2023 and later. See the caption "—COVID-19 Outbreak." The District does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the District to pay the Series 2021 Installment Payments.

For additional information relating to the District's CalPERS Miscellaneous pension plan, see Note 5 to the District's audited financial statements set forth in Appendix A.

Other Post-Employment Benefits. In addition to the pension benefits that are described under the subcaption "—Pension Obligations," the District provides certain health care benefits for retired employees and eligible dependents ("OPEB"). Such benefits constitute an Operation and Maintenance Cost of the Wastewater System that is payable prior to the Series 2021 Installment Payments.

Substantially all of the District's full-time employees who are eligible for pension benefits may become eligible for such OPEB. As of June 30, 2020, 49 employees met these eligibility requirements and 37 retirees or their beneficiaries participate in the plan. Actuarially determined contributions of \$865,755, \$(45,453) and \$834,617 were recognized for OPEB in Fiscal Years 2018, 2019 and 2020, respectively.

The District has elected to fund its OPEB contributions through the California Employers' Retiree Benefit Trust Fund ("CERBT"), an agent, multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers.

GASB Statement No. 75 ("GASB 75") requires governmental agencies to account for and report outstanding obligations and commitments related to OPEB in essentially the same manner as for pensions. For the District, the reporting obligation began in Fiscal Year 2018.

The District retained an actuarial consultant to calculate the District's OPEB funding status. In a report dated June 25, 2020 (the "Report"), the consultant concluded that, as of June 30, 2020, the District's net liability for OPEB was \$4,466,260, and that the District'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") was \$834,617.

Changes in the net liability for the District's OPEB plan were as follows.

NAPA SANITATION DISTRICT
Changes in OPEB Plan Liability

	<i>Increase / (Decrease)</i>		
	<i>Total OPEB Plan Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net OPEB Plan Liability / (Asset)</i>
Balance at June 30, 2019	\$9,923,464	\$4,289,139	\$5,634,325
Balance at June 30, 2020	<u>9,563,212</u>	<u>5,096,952</u>	<u>4,466,260</u>
Net Changes for period from July 1, 2019 through June 30, 2020	\$ 360,252	\$ 807,813	(\$1,168,065)

Source: District.

The following table presents the net liability of the District's OPEB plan, calculated using the discount rate applicable to Fiscal Year 2020 (7.59%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.59%) or 1 percentage point higher (8.59%) than the Fiscal Year 2020 rate:

NAPA SANITATION DISTRICT
Sensitivity of the OPEB Plan Net Liability to Changes in the Discount Rate

	<i>Discount Rate – 1% (6.59%)</i>	<i>Applicable Discount Rate (7.59%)</i>	<i>Discount Rate + 1% (8.59%)</i>
Plan's Net Liability/(Asset)	\$5,545,526	\$4,466,260	\$3,556,687

Source: District.

The District's projections of Operation and Maintenance Costs under the caption "FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in OPEB 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 District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of OPEB will have a material adverse effect on the ability of the District to pay the Series 2021 Installment Payments.

For additional information relating to the OPEB plan, see Note 6 to the District's audited financial statements set forth in Appendix A.

Budget Process

The District's budget process begins each year with a review of current expenditures in order to assess the effectiveness of the then-current budget. Unanticipated expenses are identified and revenue and expenditure patterns are analyzed. The analysis is presented to the Board's Finance Committee and the Finance Committee and the General Manager develop recommendations for the next budget year. The recommendations are brought to the full Board for input and approval.

With this direction, department managers develop line item proposals. At the same time, the Capital Program Manager works with department managers to update the District's 10-year capital improvement plan. The proposed operating budget is provided to the Finance Committee and the proposed capital improvement plan is provided to the Board's Long Term Planning Committee. Both committees make reports and recommendations to the full Board of Directors.

The proposed budget and capital improvement plan are presented to the Board of Directors, and meetings are held to seek input from interested stakeholders and the general public. The Board can direct staff to make changes to the proposed budget. All of the changes are then compiled and presented to the Board for final adoption.

Under the District's budget policy, the District will maintain a balanced budget. The Board may increase annual budget authority for operating or capital expenditures by means of a budget amendment. In addition, the Board may approve transfers of budgeted funds between operating and capital expenditures, while the General Manager may approve transfers of budgeted operating or capital expenditure funds between departments.

The District's budget must include consideration of adequate maintenance of capital equipment and facilities and a 10-year capital improvement plan which includes funding sources for each proposed capital improvement. Budget appropriations lapse at the end of each Fiscal Year, and unspent amounts may be carried forward to the following Fiscal Year only with the authorization of the Board.

The District adopted its Fiscal Year 2021 budget on June 3, 2020.

District Insurance

The District's insurance coverage for general liability, automobile liability, public officials liability, property damage and fidelity is provided through the Special District Risk Management Authority (the "SDRMA"). The SDRMA is a risk-pooling self-insurance authority created under the provisions of State Government Code Section 6500 *et seq.* The purpose of the SDRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The SDRMA is governed by a board consisting of a representative from each member agency. The board controls the operations of the SDRMA, including selection of management and approval of operating budgets.

The District maintains the following coverages through the SDRMA, *inter alia*: (i) property damage coverage of up to \$1,000,000,000 per occurrence; (ii) general liability of up to \$10,000,000 per occurrence; (iii) public officials errors and omissions coverage of up to \$10,000,000, with no deductible; (iv) boiler and machinery coverage of up to \$10,000,000 per occurrence; (v) employee dishonesty coverage of up to \$1,000,000; (vi) automobile and personal injury coverage of up to \$10,000,000 per occurrence; and (vii) errors and omissions coverage of up to \$10,000,000 per occurrence. The District does not maintain earthquake insurance.

For pollution legal liability, the District carries a separate policy from a commercial insurer in the amount of up to \$2,000,000 per occurrence. Excess property damage coverage is also provided by commercial insurers.

The District's property damage insurance covers all Wastewater System treatment facilities and pipelines in the vicinity of insured facilities. Except as described in the preceding sentence, the District's Wastewater System pipelines are not insured.

The District maintains workers compensation coverage up to statutory limits through the California Sanitation Risk Management Authority (the "**CSRMA**"), a risk-pooling self-insurance authority created under the provisions of State Government Code Section 6500 *et seq.* The purpose of the CSRMA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The CSRMA is governed by a board consisting of a representative from each member agency. The board controls the operations of the CSRMA, including selection of management and approval of operating budgets.

There can be no assurance that incurred losses of the District will be covered up to the amount of loss, if at all. See the caption "**RISK FACTORS—Natural Disasters and Seismic Considerations.**" Claims have not exceeded the District's insurance coverage in any of the last three years.

The District can also provide no assurance that it will maintain the above insurance coverage amounts while the Certificates are outstanding. See Appendix B under the caption "**INSTALLMENT PURCHASE AGREEMENT—Covenants of the District—Insurance**" for a description of insurance coverages that are required to be maintained while the Certificates are outstanding.

For additional information relating to the District's insurance coverages, see Note 9 to the District's financial statements set forth in Appendix A.

Outstanding Parity Obligations

The following District obligations are payable from Net Revenues on a parity with the Series 2021 Installment Payments.

2003 State Contract. In 2002, the District entered into State Revolving Fund Installment Sale Agreement No. 02-821-550-1 (the "**2003 State Contract**") with the State Water Resources Control Board (the "**SWRCB**") to finance certain improvements to the Wastewater System. As of June 30, 2020, the 2003 State Contract was outstanding in the principal amount of \$172,065. The 2003 State Contract is payable in annual installments of \$60,247 and bears interest at the rate of 2.50% per annum. The final payment under the 2003 State Contract is due in 2022. The obligation of the District to make payments on the 2003 State Contract is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

2008 Phase I State Contract. In 2008, the District entered into State Revolving Fund Installment Sale Agreement No. 08-802-550 (the "**2008 Phase I State Contract**") with the SWRCB to finance certain improvements to the Wastewater System. As of June 30, 2020, the 2008 Phase I State Contract was outstanding in the principal amount of \$678,619. The 2008 Phase I State Contract is payable in annual installments of \$82,609 and bears no interest. The final payment under the 2008 Phase I State Contract is due in 2029. The obligation of the District to make payments on the 2008 Phase I State Contract is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

2008 Phase II State Contract. In 2008, the District entered into State Revolving Fund Installment Sale Agreement No. 08-808-550 (the "**2008 Phase II State Contract**") with the SWRCB to finance certain improvements to the Wastewater System. As of June 30, 2020, the 2008 Phase II State Contract was outstanding

in the principal amount of \$90,217. The 2008 Phase II State Contract is payable in annual installments of \$10,972 and bears no interest. The final payment under the 2008 Phase II State Contract is due in 2029. The obligation of the District to make payments on the 2008 Phase II State Contract is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

2012A Installment Purchase Agreement. In 2012, the District entered into an Installment Purchase Agreement, dated as of December 1, 2012 (the “**2012A IPA**”), with the Corporation to finance and refinance certain improvements to the Wastewater System. As of June 30, 2020, the 2012A IPA was outstanding in the principal amount of \$27,860,000. The 2012A IPA is payable in semiannual installments and bears interest at rates of between 3.00% and 4.00% per annum. The final payment under the 2012A IPA is due in 2032. The obligation of the District to make payments on the 2012A IPA is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

2017 Bonds. In 2017, the District issued its 2017 Refunding Revenue Bonds (the “**2017 Bonds**”) to refinance certain improvements to the Wastewater System. As of June 30, 2020, the 2017 Bonds were outstanding in the aggregate principal amount of \$11,830,000. The 2017 Bonds are payable in semiannual installments and bear interest at rates of between 4.00% and 5.00% per annum. The final payment under the 2017 Bonds is due in 2027. The obligation of the District to make payments on the 2017 Bonds is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

2020 State Contract. In 2020, the District entered into Construction Installment Sale Agreement No. D190101600 (the “**2020 State Contract**”) with the SWRCB to finance certain improvements to the Wastewater System. Funds in the maximum amount of \$40,000,000 (including \$4,000,000 which will be treated as a grant provided that the District complies with certain conditions) are available to be borrowed under 2020 State Contract. The 2020 State Contract will be payable in annual installments of \$1,210,702 and does not bear interest. The District expects to commence repayment of the 2020 State Contract in 2022, with a final payment due in 2051. The obligation of the District to make payments on the 2020 State Contract is payable from Net Revenues on a parity with the obligation of the District to pay the Series 2021 Installment Payments.

COVID-19 Outbreak

The spread of the novel strain of coronavirus called SARS-CoV-2, which causes the disease known as COVID-19 (“**COVID-19**”), and local, State and federal actions in response to COVID-19, have impacted the District’s operations and finances. In response to the increasing number of cases of COVID-19 infections and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and on March 4, 2020, as part of the State’s response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State have temporarily closed some or all school campuses (including schools within the District’s service area) in response to local and State directives or guidance.

On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives have been extended indefinitely until indicators for modifying the stay-at-home order have been met. The County has also declared a state of emergency in response to the COVID-19 outbreak. On May 4, 2020, the Governor issued an executive order informing local health jurisdictions and industry sectors that they could gradually re-open under new modifications and guidance provided by the State. A phased re-opening of various sectors has been underway in accordance with a four-stage re-opening plan. Although pursuant to the re-opening plan some of these restrictions on activities have been eased, restrictions have also been re-imposed in various jurisdictions (including the County) as local conditions warrant, and such restrictions may be expanded as the pandemic continues.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “**CARES Act**”) which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic, although the District cannot predict what State and/or federal funding or other relief it will ultimately receive. Any funds received by the District under the CARES Act are not available for payment of the Series 2021 Installment Payments and cannot be used to backfill any District revenue losses related to COVID-19.

On December 27, 2020, the President signed the \$900 billion Coronavirus Response and Relief Supplemental Appropriations Act. Although the act did not provide additional financial assistance to state and local governments, it did extend the deadline (to October 2021) for them to use unspent funds that were previously approved under the CARES Act.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have seen significant declines and experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets caused CalPERS’ earnings to fall below its investment targets in Fiscal Year 2020, which could result in increases in the District’s unfunded pension liability and future pension costs commencing in Fiscal Year 2023. See the caption “—Employees and Employee Benefits—Pension Obligations.” The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the County.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the District’s revenues, including as a result of reduced water use (particularly among commercial and hotel establishments), and potential declines in property values.

In response to the COVID-19 outbreak, the District has staggered employee shifts, enabled certain employees to telecommute and moved employees to multiple locations in order to prevent large gatherings of Wastewater System personnel at any one time and maintain their health and the operations of the Wastewater System. In addition, on-site personnel are wearing masks and practicing social distancing while working. Access to the District’s administrative offices has been restricted and Board meetings are occurring with many attendees participating via teleconference. The District does not foresee an impact on Wastewater System operations at this time as a result of the COVID-19 outbreak.

In addition, the State Governor has suspended utility service shutoffs (including for the Wastewater System) for the duration of the state of emergency declared by the State, and the District will not seek to collect late fees or penalties. Although no service charges are being forgiven, the District expects its accounts receivable amount to increase as a result of the foregoing policy.

The District collects the majority of Wastewater System Revenues from the County tax roll. Such collections are affected by the State Governor’s Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent that they require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Such penalties, costs and interest will be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with

the tax collector and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response thereto.

See the caption “THE WASTEWATER SYSTEM—Collection Procedures.”

The District reports that property tax collections in December 2020 reflected a delinquency rate of approximately 4%. The District does not believe that its inability to impose penalties, costs or interests on such delinquent payments or to shut off service to delinquent customers will have a material adverse effect on Fiscal Year 2021 operating results.

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District and the Wastewater System is unknown. Fiscal Year 2020 Wastewater System revenues and expenses were not materially affected by the COVID-19 outbreak.

The District’s Fiscal Year 2021 budget, which includes consideration of the effect of the COVID-19 outbreak and an anticipated recession, reflects reductions in commercial and industrial wastewater service charge revenues as a result of reduced water usage by commercial and industrial customers. In addition, the budget reflects the District’s expectation that capacity charge revenues will be reduced in Fiscal Year 2021 as a result of lower levels of development activity. The District continues to actively monitor customer usage, revenues and delinquencies so that any further impacts can be anticipated. See the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage.”

The District also expects that CalPERS’ earnings could be reduced in Fiscal Year 2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the District. The District is unable to estimate the magnitude of any such increases at this time. See the caption “—Employees and Employee Benefits—Pension Obligations.”

As shown under the caption “THE WASTEWATER SYSTEM—Largest Wastewater System Customers,” many of the District’s top customers are commercial businesses and entertainment venues, including hotels and the County Fairgrounds. The County Fair was cancelled in 2020 as a result of the COVID-19 outbreak. In addition, hotel occupancy within the District, and consequently water use by such customers, was reduced in Fiscal Year 2020, and the District expects such reductions to continue in Fiscal Year 2021 as a result of the COVID-19 outbreak. However, as noted under the caption “THE WASTEWATER SYSTEM—Wastewater System Rates and Charges—Adopted Rates and Charges,” the District’s wastewater rates are primarily comprised of fixed rates that are payable without regard to the amount of water used, which mitigates a portion of the impact of reduced water use by hotels and other commercial customers.

Financial Statements

A copy of the most recent audited financial statements of the District prepared by Brown Armstrong Accountancy Corporation, Bakersfield, California (the “**Auditor**”) are attached as Appendix A hereto (the “**Financial Statements**”). The Auditor’s letter dated December 9, 2020 is set forth at the beginning of the Financial Section of the Financial Statements. The Financial Statements should be read in their entirety. The Auditor has not been engaged to perform, and has not performed, since the date of its letter included in the Financial Statements, any procedures on the Financial Statements. The Auditor also has not performed any procedures relating to the Official Statement and has no responsibility for the contents hereof.

The summary operating results that are contained under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Historical 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 District accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities (“GAAP”). Generally, the District recognizes revenues and expenses on the full accrual basis of accounting, meaning that revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. However, 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 District’s audited financial statements reflects the application of GAAP.

The District’s activities are accounted for as a proprietary fund type (enterprise fund) using the economic resources measurement focus. 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.

The Financial Statements are public documents and the District has not sought the approval of the Auditor to append the Financial Statements to this Official Statement. The Auditor has neither performed any post-audit review of the financial condition of the District nor reviewed or audited this Official Statement.

THE WASTEWATER SYSTEM OF THE DISTRICT

General

The District has broad general powers over the collection, treatment and disposal of wastewater within District boundaries. The District also sells recycled water that it produces at its tertiary wastewater treatment plant, the SWRF, which has a permitted dry weather design capacity of 15.4 MGD. See the caption “—District Facilities.”

The District provides wastewater service to approximately 23,941 single family residential connections, 8,764 multi-family residential connections and 5,545 commercial and industrial connections within the District’s service area. See the caption “—Historical Wastewater System Connections.”

The District owns, operates and maintains the Wastewater System, which includes the SWRF, approximately 270 miles of sewer pipelines, 3 lift stations, 27,000 street service laterals, approximately 5,400 sanitary sewer manholes and an estimated 700 flush holes. See the caption “—District Facilities.”

District Facilities

Soscol Water Recycling Facility. The SWRF, which is located in the southern portion of the City of Napa adjacent to the Napa River, was originally constructed in 1977 as a supplementary treatment plant to then-existing treatment facilities. In 1995, the District commenced the first phase of a major upgrade to the SWRF, adding improvements to enable tertiary treatment of wastewater and the production of recycled water. In 1998, the District commenced the second phase of the upgrades to the SWRF, adding aeration basins, secondary clarifiers, an egg-shaped anaerobic digester and dewatering facilities. In 2002, the District decommissioned its other treatment facilities and the SWRF became the District’s sole wastewater treatment facility. Since 2013, the District’s administrative offices have also been located at the SWRF site.

The SWRF is operated 24 hours a day and has a maximum permitted dry weather treatment capacity of 15.4 MGD. See the caption “—Historical Wastewater System Daily Average Flow” for historical daily average flow at the SWRF. The SWRF produces approximately 1,200 dry tons of biosolids and 650 million gallons of recycled water each year. See the caption “—Recycled Water.” The SWRF’s wastewater treatment process produces approximately 2,975 megawatt hours of energy per year, approximately one-third of which is used by the SWRF itself.

See the caption “THE 2021 PROJECT” for a discussion of certain improvements to the SWRF which are being financed from proceeds of the Certificates.

Treatment Process. During the discharge period (from October 1 through June 30), raw wastewater is treated at the SWRF using screens, aerated grit chambers and primary clarifiers. After primary clarification, the flow is treated in: (i) the activated sludge system, where it is thickened in a dissolved air flotation thickener, conveyed to an anaerobic digester and further conveyed from a holding tank (where gas energy is produced) to a belt press for dewatering; up to 8 MGD of wastewater can be treated by the activated sludge system, followed by secondary clarification; and/or (ii) the oxidation pond system, as described in the following paragraph.

The oxidation pond system consists of four oxidation ponds followed by dissolved air flotation clarification. The four oxidation ponds also act as flow equalization ponds for peak discharge period flows. Settled sludge is periodically removed from the oxidation ponds. After secondary treatment, the oxidation pond system effluent is combined with the activated sludge effluent before undergoing chlorination and dechlorination prior to discharge to the Napa River in accordance with the District’s discharge permit. See the caption “—Regulatory Matters.” During the discharge period, wastewater treated to secondary standards is discharged into the Napa River through a submerged diffuser that is located approximately 160 feet offshore and 13.4 feet below the water surface.

During the dry/non-discharge season (July 1 through September 30), discharges to the Napa River are generally prohibited except in exigent circumstances and treated effluent must be discharged to land. At this time, influent typically goes through activated sludge/secondary treatment and/or is treated and stored in oxidation ponds (all as described in the preceding paragraphs) before undergoing filtration/tertiary treatment, which produces recycled water. Recycled water produced at the SWRF is disinfected to “unrestricted” tertiary quality, which is the highest quality recognized under the State Department of Health Services regulations relating to recycled water (California Code of Regulations Title 22).

Other Facilities. In addition to the SWRF, the District maintains 3 lift stations: the Stonecrest, West Napa and River Park Pump Stations. The District also operates a gravity trunk sewer and inverted siphon under the Napa River that was constructed in 2006, approximately 270 miles of sewer pipelines, 27,000 street service laterals, approximately 5,400 sanitary sewer manholes and an estimated 700 flush holes.

Regulatory Matters

The SWRF is operated pursuant to the terms of a National Pollutant Discharge Elimination System (“NPDES”) permit issued by the State Department of Environmental Protection, Regional Water Quality Control Board, San Francisco Bay Region (the “**Regional Board**”). The Regional Board administers NPDES regulations promulgated by the United States Environmental Protection Agency and Division 7 of the State Water Code and regulations thereunder. The District’s present NPDES permit for the SWRF, Waste Discharge Order No. R2-2016-0035, NPDES Permit No. CA 0037575, became effective on September 1, 2016 and expires on August 31, 2021. The District plans to renew the NPDES permit upon its expiration.

The District is responsible for satisfying federally and State-mandated discharge requirements. The requirements include schedules for monitoring operations to assure discharge compliance and protection of the Napa River. There are currently no pending actions by the Regional Board with respect to the Wastewater System.

Discharges of SWRF effluent to land are presently governed by Water Reclamation Requirements in Order 96-011, adopted by the Regional Board on January 17, 1996. Order No. 96-011 allows discharges of disinfected secondary-treated effluent or tertiary-treated water from the SWRF to industrial parks, golf courses, pasture lands, feed and fodder crops and drip irrigation of vineyards. Discharge to the Napa River during the dry/non-discharge period (July 1 through September 30) is only allowed during extreme conditions and requires reporting to the Regional Board. Since 2010, the District has had one discharge to the Napa River during the non-discharge period. Effluent which is typically not discharged during May 1-October 31 period is stored in oxidation ponds or subject to tertiary treatment and subsequent sale as recycled water.

Recycled Water

The District currently has approximately 27 miles of pressurized recycled water pipeline which serves approximately 144 user sites, including vineyards, industrial parks and golf courses. Recycled water pipelines were initially installed in 1985. Most recently, fifteen miles of recycled water pipeline were installed from 2015 through 2017. The recycled water system continues to expand as new customers are added.

The recycled water system is pressurized by three 600 horsepower (“HP”) centrifugal pumps. The recycled water system is normally operated with two 600 HP centrifugal pumps serving two separate pressure zones (north and south zones), each served by one 600 HP pump. If demand increases, a second 600 HP pump can be called to serve either pressure zone or as a backup if the primary pumps fail. Additionally, a 100 HP jockey pump, which uses less energy and decreases wear on the 600 HP pumps, serves the system during low demand periods.

Revenues from the sale of recycled water are pledged to the payment of the Series 2021 Installment Payments.

Historical Wastewater System Connections

The following table shows historical billed connections to the Wastewater System for the five most recent Fiscal Years:

NAPA SANITATION DISTRICT
Historical Wastewater System Connections

<i>Fiscal Year</i>	<i>Single Family Residential</i>	<i>Multi-Family Residential</i>	<i>Commercial/Industrial</i>	<i>Total Connections</i>	<i>% Increase/ (Decrease)</i>	<i>Total EDUs⁽²⁾</i>
2016	23,612	8,715	4,574	36,901	N/A%	41,378
2017	23,788	8,697	4,884	37,369	1.27	40,707
2018	23,849	8,393 ⁽¹⁾	5,293	37,535	0.44	40,655
2019	23,800	8,708	5,365	37,873	0.90	41,635
2020	23,941	8,764	5,545	38,250	1.00	41,862

⁽¹⁾ Decrease reflects a reclassification of certain convalescent home units.

⁽²⁾ “EDU” refers to an equivalent dwelling unit. One EDU is equivalent to the typical volume and strength of the wastewater generated by a single family home. Total Connections differ from Total EDUs because many of the District’s Commercial/Industrial connections generate more wastewater volume and strength than a single family home and are thus assigned more than one EDU. See the caption “—Wastewater System Rates and Charges.”

Source: District.

Historical Wastewater System Usage

The following table shows the volume of wastewater treated at the SWRF for the five most recent Fiscal Years.

NAPA SANITATION DISTRICT
Historical Wastewater System Usage

<i>Fiscal Year</i>	<i>Daily Average Flow (MGD)⁽¹⁾</i>	<i>% Increase/(Decrease)⁽¹⁾</i>
2016	8.1	N/A%
2017	10.6	30.86
2018	7.4	(30.19)
2019	9.3	25.68
2020	6.5	(30.11)

⁽¹⁾ Variations from year to year primarily reflect weather conditions, which affect the flow of influent into the SWRF.
Source: District.

Wastewater System usage is affected by a number of factors, including but not limited to weather conditions (which affect the flow of influent into the SWRF), the number of connections to the Wastewater System and water conservation efforts.

Historical Recycled Water Sales

The following table shows the amount of recycled water sales for the five most recent calendar years.

NAPA SANITATION DISTRICT
Historical Recycled Water Sales

<i>Calendar Year</i>	<i>Recycled Water Sales (MGD)</i>	<i>% Increase/(Decrease)</i>
2016	436	N/A%
2017	538	23.39
2018	637	18.40
2019	649	1.89
2020	869	33.90

Source: District.

Historical Wastewater System Service Charge Revenues

The following table shows historical service charge revenues of the Wastewater System for the five most recent Fiscal Years.

NAPA SANITATION DISTRICT
Historical Wastewater System Service Charge Revenues

<i>Fiscal Year</i>	<i>Wastewater System Service Charge Revenues</i>	<i>% Increase/(Decrease)</i>
2016	\$19,887,172	N/A%
2017	22,501,544	13.15
2018	25,806,368	14.69
2019	28,018,017	8.57
2020	29,576,130	5.56

Source: District.

Largest Wastewater System Customers

The following table sets forth the ten largest customers of the Wastewater System of the District as of June 30, 2020, as determined by the amount of their respective payments.

NAPA SANITATION DISTRICT Largest Wastewater System Customers

<i>Customer</i>	<i>Wastewater Service Charge Revenues</i>	<i>% of Total</i>
Napa State Hospital	\$ 852,772	2.88%
Napa Valley Unified School District	374,133	1.26
Meritage Resorts	230,815	0.78
Marriott Hotel	224,778	0.76
Meadows of Napa Valley	211,000	0.71
Embassy Suites	183,800	0.62
County of Napa	179,965	0.61
Napa County Fairgrounds	130,322	0.44
Andaz Hotel	125,776	0.43
Queen of the Valley Medical Center	<u>123,149</u>	<u>0.42</u>
TOP TEN TOTAL	\$ 2,636,510	8.91%
 TOTAL SYSTEM	 \$29,576,130	 100.0%

Source: District.

These customers accounted for approximately 8.91% of Wastewater System Revenues of \$29,576,130 for Fiscal Year 2020.

Wastewater System Rates and Charges

General. The Board has rate setting authority as provided under the State Water Code and the District's rates are not subject to review or approval by the California Public Utilities Commission or any other agency. However, the District 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" for the limitations of the rate setting authority of the Board under Proposition 218. The District annually determines the adequacy of the Wastewater System rate structure after full consideration of expected operations, maintenance and capital costs.

In accordance with Proposition 218, the Board expects to hold a hearing on March 24, 2021 to consider adjustments in wastewater service rates and charges for Fiscal Years 2022 through 2026 (the "**Rate Plan**"), as shown in the tables below. Capacity charges and recycled water service rates and charges will not be addressed at the March 24, 2021 hearing. The projected operating results which are set forth under the caption "FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage" assume wastewater service rate adjustments in accordance with the Rate Plan beginning in July 2021 and increases in capacity charges and recycled water service rates and charges based solely on increases in the Consumer Price Index. There can be no assurance: (i) as to outcome of the public hearing to consider the Rate Plan; (ii) that the Board will adopt the Rate Plan as currently contemplated; or (iii) that the District's ratepayers will not approve an initiative to repeal or modify any increases in rates and charges in the future. Any variations from the adopted rates and charges set forth in the Rate Plan could result in operating results of the Wastewater System which are materially different from those set forth herein.

See the caption “LITIGATION—Rate Litigation” for a discussion of pending litigation challenging wastewater rates for condominium units.

The District is subject to certain covenants with respect to the Certificates which require the District to set Water System rates and charges in amounts that it expects to be sufficient to pay the Series 2021 Installment Payments from Net Revenues. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

Rates and Charges. Wastewater System Revenues of the District are derived from three sources: (a) sewer service charges; (b) capacity charges; and (c) recycled water service.

(a) Sewer Service Charges. Current annual charges, as well as the charges proposed under the Rate Plan, are set forth below.

**NAPA SANITATION DISTRICT
Annual Residential Wastewater Service Charges**

<i>Customer Type</i>	<i>Current</i>	<i>Fiscal Year 2022⁽¹⁾</i>	<i>Fiscal Year 2023⁽¹⁾</i>	<i>Fiscal Year 2024⁽¹⁾</i>	<i>Fiscal Year 2025⁽¹⁾</i>	<i>Fiscal Year 2026⁽¹⁾</i>
Single Family Residential	\$ 738.60	\$ 738.60	\$ 738.60	\$ 738.60	\$ 738.60	\$ 738.60
Duplex	738.60	709.06	679.51	649.97	620.42	590.88
Apartment	443.16	472.70	502.25	531.79	561.34	590.88
Condominium/Townhome	738.60	716.44	694.28	672.13	649.97	627.81
Mobilehome Space	443.16	480.09	517.02	553.95	590.88	627.81
Overnight Trailer Parking	295.44	295.44	295.44	295.44	295.44	295.44
Single Family Residential with Accessory Dwelling Unit	1,477.20	1,107.90	1,107.90	1,107.90	1,107.90	1,107.90
Commercial/Industrial	Described below	Described below	Described below	Described below	Described below	Described below

⁽¹⁾ Reflects proposed rates in Rate Plan. Not yet adopted by the Board.
Source: District.

Commercial and industrial customers are categorized by the type of use and assigned a “strength factor” ranging from 1.0 for offices, gymnasiums and hotels without restaurants to 2.7 for restaurants. Under the Rate Plan, the annual sewer service charge for non-residential users will be determined according to a formula that takes into account: (a) a base rate (as shown below); and (b) average annual water usage for the prior three years.

NAPA SANITATION DISTRICT
Annual Commercial/Industrial Wastewater Service Base Rates

<i>Strength Factor</i>	<i>Current</i>	<i>Fiscal Year 2022⁽¹⁾</i>	<i>Fiscal Year 2023⁽¹⁾</i>	<i>Fiscal Year 2024⁽¹⁾</i>	<i>Fiscal Year 2025⁽¹⁾</i>	<i>Fiscal Year 2026⁽¹⁾</i>
1.0 (Office, Gymnasium, Hotel without Restaurant)	\$ 739	\$ 827	\$ 931	\$ 1,036	\$ 1,130	\$ 1,235
1.4 (Commercial Laundry)	1,066	1,069	1,203	1,340	1,460	1,596
2.0 (Hotel with Restaurant)	1,477	1,506	1,694	1,886	2,056	2,248
2.7 (Restaurant)	1,978	1,865	2,099	2,336	2,547	2,784

⁽¹⁾ Reflects proposed rates in Rate Plan. Not yet adopted by the Board.
Source: District.

The annual sewer service charge for schools is determined according to the following formula: (a) the base single family residential rate (currently \$738.60); multiplied by (b) the number of students or number of employees/occupants; divided by (c) a factor based on concentration of use ranging from 10 to 48.

The annual sewer service charge for certain monitored industrial users is determined according to the following: the base single family residential rate (currently \$738.60); multiplied by (b) daily water usage; divided by (c) 210; multiplied by (d) a strength factor measured by the District for each individual account.

(b) Capacity Charges. The District imposes the following charges to connect to the Wastewater System.

NAPA SANITATION DISTRICT
Capacity Charges

<i>Customer Type</i>	<i>Charge</i>
Single Family Residential (including Duplex, Condominium Unit, Townhouse and Accessory Dwelling Unit)	\$9,959
Multi-Family Residential (including Triplex, Fourplex, Apartment and Mobilehome)	9,959
Single Room Occupancy	5,975
Commercial/Industrial	Determined by staff

Source: District.

The projected operating results which are set forth under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” assume increases in capacity charges based solely on increases in the Consumer Price Index.

(c) Recycled Water Service. Current recycled water service rates and charges are as follows:

NAPA SANITATION DISTRICT
Recycled Water Service Rates and Charges

<i>Fee Type</i>	<i>Rates and Charges</i>
Monthly Meter Charge	\$35.51
Rate Per 1,000 Gallons (December – February)	1.39
Rate Per 1,000 Gallons (March)	1.24
Rate Per 1,000 Gallons (April – November)	1.86
Rate per 1,000 Gallons (Must-Pay Contracts Minimum 150 acre feet from April – November)	1.49

Source: District.

The projected operating results which are set forth under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” assume increases in recycled water service rates and charges based solely on increases in the Consumer Price Index.

Comparative Wastewater Rates. Set forth below is a schedule of comparative wastewater service rates for a single family residential customer of the District and water service providers located near the District.

NAPA SANITATION DISTRICT
Comparative Wastewater Rates

<i>Wastewater Service Provider</i>	<i>Average Annual Charge</i>
Sonoma Valley County Sanitation District	\$1,234.72
City of Rohnert Park	1,085.64
City of Calistoga	1,036.56
Las Gallinas Sanitary District (San Rafael)	968.00
City of Benicia	817.98
Napa Sanitation District	738.60
City of Vacaville	721.80
Vallejo Sanitation & Flood District	714.72
City of American Canyon	676.68
Novato Sanitary District	657.00
Fairfield-Suisun Sewer District	502.20

Source: District.

Collection Procedures

Collection from County Tax Roll. Except for certain customers discussed under the subcaption “—Direct Billing,” wastewater service charges are collected on the County tax roll in the manner provided in Sections 5471 through 5473.11 of the State Health and Safety Code. Property owners are not permitted to segregate the sewer service charge from the property tax charge on their tax bills and must pay the entire amount billed. The District currently reports no significant delinquencies.

Although the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the State

Revenue and Taxation Code (under which the County would pay 100% of wastewater service charges due to the District regardless of actual collections), the District does *not* participate in the County's Teeter Plan. The District is therefore exposed to the risk of delinquencies in the payment of property taxes. However, the District does receive penalties and interest when wastewater service charges are paid late.

Charges which are collected on the County tax roll may become a lien on property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on the secured property, regardless of the time of the creation of other liens. The exclusive means of compelling the payment of delinquent charges with respect to secured property is the sale of the property securing the taxes for the amount of taxes that are delinquent, plus certain penalties that accrue under State law.

See the caption "THE DISTRICT—COVID-19 Outbreak" for a discussion of the suspension of certain collection procedures relating to charges on the County tax roll until May 6, 2021.

Direct Billing. The District directly bills certain customers which do not pay property taxes. These include the Napa State Hospital, the State of California, the City of Napa, the County, Napa Valley Unified School District and Napa Community College. Further, the District directly bills certain industrial users as required by the District's Administrative Code. Such industrial users are classified by the District as any source of discharge to the public sanitary sewer system from any non-domestic source as regulated under Section 307(b), (c) or (d) of the federal Clean Water Act (40 CFR 403). In Fiscal Year 2020, approximately 7% of wastewater service charges were billed directly.

Customers (non-industrial) who do not receive a property tax bill are sent an invoice from the District for their annual sewer service charges around the same time that property tax bills are sent out. Industrial customers are invoiced monthly based on their wastewater strength for the prior month. Invoices that are not paid within 30 days of the date of the invoice are considered to be delinquent. Interest charges are assessed on delinquent invoices older than 30 days at 1% per month.

See the caption "THE DISTRICT—COVID-19 Outbreak" for a discussion of the suspension of wastewater service shutoffs for the duration of the State-declared public health emergency.

Future Wastewater System Improvements

The District projects capital improvements to the Wastewater System of approximately \$124.1 million over the period between Fiscal Years 2020 through 2024, including the 2021 Project, replacements and rehabilitations of sewer pipelines and upgrades to the SWRF. The District currently projects funding such capital improvements through a combination of grants and Revenues remaining after payment of debt service on District obligations. The District does not anticipate entering into any additional Parity Bonds or Contracts in the current or next four Fiscal Years to finance such capital improvements.

Projected Wastewater System Connections

The following table shows billed connections to the Wastewater System for the current and next four Fiscal Years, as projected by the District.

NAPA SANITATION DISTRICT Projected Wastewater System Connections

<i>Fiscal Year</i>	<i>Single Family Residential</i>	<i>Multi-Family Residential</i>	<i>Commercial/Industrial</i>	<i>Total Connections</i>	<i>% Increase/(Decrease)</i>	<i>Total EDUs⁽²⁾</i>
2021	24,109	8,825	5,584	38,518	0.70%	42,123
2022	24,278	8,887	5,623	38,788	0.70	43,488
2023	24,448	8,949	5,662	39,059	0.70	45,203
2024	24,619	9,012	5,702	39,333	0.70	47,006
2025	24,791	9,075	5,742	39,608	0.70	48,695

Source: District.

Projected increases in connections reflect expected development activity within the District's service area.

Projected Wastewater System Usage

The following table shows the projected volume of wastewater treated at the SWRF for the current and next four Fiscal Years.

NAPA SANITATION DISTRICT Projected Wastewater System Usage

<i>Fiscal Year</i>	<i>Daily Average Flow (mgd)</i>	<i>% Increase/(Decrease)</i>
2021	9.0	38.46% ⁽¹⁾
2022	9.1	1.11
2023	9.1	0.00
2024	9.2	1.10
2025	9.2	0.00

⁽¹⁾ Increase from Fiscal Year 2020 primarily reflects weather conditions, which affects the flow of influent into the SWRF.
Source: District.

Wastewater System usage will be affected by a number of factors, including weather conditions (which affect the flow of influent into the SWRF), connections to the Wastewater System and water conservation efforts by Wastewater System customers. See the caption "—Projected Wastewater System Connections."

Projected Recycled Water Sales

The following table shows the amount of recycled water sales for the current and next four Fiscal Years, as projected by the District.

**NAPA SANITATION DISTRICT
Projected Recycled Water Sales**

<i>Fiscal Year</i>	<i>Recycled Water Sales (MGD)</i>	<i>% Increase/(Decrease)</i>
2021	968	13.69% ⁽¹⁾
2022	1,033	6.71
2023	1,098	6.29
2024	1,163	5.92
2025	1,200	3.18

⁽¹⁾ Because historical recycled water sales information is shown by calendar year, the number shown for Fiscal Year 2021 reflects the projected increase above the calendar year 2020 sales amount.

Source: District.

Recycled water sales will be affected by a number of factors, including annual precipitation levels.

Projected Wastewater System Service Charge Revenues

The following table shows service charge revenues, i.e., charges to customers, of the Wastewater System for the current and next four Fiscal Years, as projected by the District. The projected revenues assume implementation of the Rate Plan beginning in July 2021, although there can be no assurance that the Rate Plan will be adopted as currently contemplated, and reflect projected increases in connections. See the captions “—Wastewater System Rates and Charges—General” and “—Projected Wastewater System Connections.”

**NAPA SANITATION DISTRICT
Projected Wastewater System Service Charge Revenues**

<i>Fiscal Year</i>	<i>Wastewater System Service Charge Revenues</i>	<i>% Increase/(Decrease)</i>
2021	\$31,112,000	5.19%
2022	32,119,000	3.24
2023	33,386,000	3.94
2024	34,718,000	3.99
2025	35,965,000	3.59

Source: District.

FINANCIAL INFORMATION OF THE DISTRICT

Historical Operating Results and Debt Service Coverage

The following table is a summary of operating results of the District for the last five Fiscal Years. These results have been derived from the Financial Statements and audited financial statements of the District for prior Fiscal Years but exclude certain non-cash items and include certain other adjustments. The table has not been reviewed or audited by the Auditor.

NAPA SANITATION DISTRICT
Historical Operating Results and Debt Service Coverage
Fiscal Year Ended June 30

	2016	2017	2018	2019	2020
REVENUES					
Service Charges	\$ 19,887,172	\$ 22,501,544	\$ 25,806,368	\$ 28,018,017	\$ 29,576,130
Capacity Charges	3,139,503	5,355,828	6,532,806	2,396,746	4,403,474
Other Charges for Services ⁽¹⁾	<u>1,726,567</u>	<u>1,988,376</u>	<u>2,610,913</u>	<u>2,173,505</u>	<u>2,301,321</u>
TOTAL REVENUES	\$ 24,753,242	\$ 29,845,748	\$ 34,950,087	\$ 32,588,268	\$ 36,280,925
OPERATION AND MAINTENANCE COSTS					
Salaries and Benefits ⁽²⁾	\$ 5,872,455	\$ 8,179,992	\$ 6,213,994	\$ 10,661,127	\$ 9,396,098
Services and Supplies	<u>5,053,312</u>	<u>5,263,276</u>	<u>4,959,918</u>	<u>5,078,787</u>	<u>5,196,375</u>
TOTAL OPERATION AND MAINTENANCE COSTS	\$ 10,925,767	\$ 13,443,268	\$ 11,173,912	\$ 15,739,914	\$ 14,592,473
NET REVENUES	\$ 13,827,475	\$ 16,402,480	\$ 23,776,175	\$ 16,848,354	\$ 21,688,452
DEBT SERVICE					
2003 State Contract	\$ 60,247	\$ 60,247	\$ 60,247	\$ 60,247	\$ 60,247
2008 Phase I State Contract	82,609	82,609	82,609	82,609	82,609
2008 Phase II State Contract	10,972	10,972	10,972	10,972	10,972
2009 Installment Purchase Agreement ⁽³⁾	1,961,254	1,956,779	1,641,402	-	-
2012A Installment Purchase Agreement	2,658,875	2,657,175	2,658,175	2,656,775	2,652,975
2017 Bonds	-	-	-	1,777,225	1,776,900
2020 State Contract ⁽⁴⁾	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEBT SERVICE	\$ 4,773,956	\$ 4,767,781	\$ 4,453,404	\$ 4,587,827	\$ 4,583,702
REMAINING REVENUES	\$ 9,053,519	\$ 11,634,699	\$ 19,322,771	\$ 12,260,527	\$ 17,104,750
DEBT SERVICE COVERAGE	2.90	3.44	5.34	3.67	4.73

(1) Includes investment income and certain other non-operating revenues which constitute pledged Revenues.

(2) Fluctuations between Fiscal Years 2017 and 2019 reflect changes in GASB accounting standards related to pension and OPEB expenses. See the caption "THE DISTRICT—Employees and Employee Benefits."

(3) This obligation was prepaid in 2018 from proceeds of the 2017 Bonds.

(4) The District expects to begin repaying this obligation in Fiscal Year 2023. See the caption "THE DISTRICT—Outstanding Parity Obligations—2020 State Contract."

Source: District.

Projected Operating Results and Debt Service Coverage

The estimated projected operating results for the District for current and next four Fiscal Years are set forth below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the District's estimate of projected financial results based on a variety of assumptions, including the assumptions set forth in the footnotes to the chart set forth below and the implementation of the Rate Plan as discussed under the caption "THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges—General." All of such assumptions are material in the development of the District'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."

NAPA SANITATION DISTRICT
Projected Operating Results and Debt Service Coverage
Fiscal Year Ending June 30

	2021 ⁽¹⁾	2022	2023	2024	2025
REVENUES					
Service Charges ⁽²⁾	\$ 31,112,000	\$ 32,119,000	\$ 33,386,000	\$ 34,718,000	\$ 35,965,000
Capacity Charges ⁽³⁾	1,992,000	3,583,000	4,578,000	2,976,000	3,059,000
Other Charges for Services ⁽⁴⁾	<u>1,738,000</u>	<u>2,011,100</u>	<u>2,502,300</u>	<u>2,973,500</u>	<u>3,073,800</u>
TOTAL REVENUES	\$ 34,842,000	\$ 37,713,100	\$ 40,466,300	\$ 40,667,500	\$ 42,097,800
OPERATION AND MAINTENANCE COSTS					
Salaries and Benefits ⁽⁵⁾	\$ 9,590,300	\$ 10,232,900	\$ 11,423,700	\$ 12,050,900	\$ 12,400,800
Services and Supplies ⁽⁶⁾	<u>6,228,700</u>	<u>6,643,500</u>	<u>6,859,600</u>	<u>7,361,400</u>	<u>7,153,800</u>
TOTAL OPERATION AND MAINTENANCE COSTS	\$ 15,819,000	\$ 16,876,400	\$ 18,283,300	\$ 19,412,300	\$ 19,554,600
NET REVENUES	\$ 19,023,000	\$ 20,836,700	\$ 22,183,000	\$ 21,255,200	\$ 22,543,200
DEBT SERVICE					
2003 State Contract	\$ 60,247	\$ 60,247	\$ 60,247	\$ -	\$ -
2008 Phase I State Contract	82,609	82,609	82,609	82,609	82,609
2008 Phase II State Contract	10,972	10,972	10,972	10,972	10,972
2012A Installment Purchase Agreement	2,651,675	2,657,575	2,650,675	2,655,875	2,657,875
2017 Bonds	1,776,700	1,774,500	1,770,300	1,769,000	1,770,400
2020 State Contract ⁽⁷⁾	-	-	971,555	1,128,797	1,210,702
2021 Installment Purchase Agreement*	<u>-</u>	<u>588,560</u>	<u>587,350</u>	<u>588,475</u>	<u>588,850</u>
TOTAL DEBT SERVICE*	\$ 4,582,203	\$ 5,174,463	\$ 6,133,708	\$ 6,235,728	\$ 6,321,408
REMAINING REVENUES*	\$ 14,440,797	\$ 15,662,237	\$ 16,049,292	\$ 15,019,472	\$ 16,221,792
DEBT SERVICE COVERAGE*	4.15__	4.03__	3.62__	3.41__	3.57__

(1) Reflects Fiscal Year 2021 adopted budget. See the caption "THE DISTRICT—Budget Process."

(2) Assumes implementation of the Rate Plan beginning in July 2021, as discussed under the caption "THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges—General," as well as increases in recycled water service rates and charges based on increases in the Consumer Price Index.

(3) Reflects District estimates of development within the District, including reduced development in Fiscal Year 2021 as a result of the COVID-19 pandemic. See the caption "THE WASTEWATER SYSTEM OF THE DISTRICT—Projected Wastewater System Connections." Reflects increases in current capacity charges based on increases in the Consumer Price Index.

(4) Reflects District projections. Includes investment income and certain other non-operating revenues which constitute pledged Revenues.

(5) Reflects District projections.

(6) Reflects District projections. Decrease in Fiscal Year 2025 reflects costs associated with certain one-time expenditures in Fiscal Year 2024 not being continued in Fiscal Year 2025.

(7) Reflects estimated debt service.

Source: District.

RISK FACTORS

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 Certificates. 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 Certificates. 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 or interest with respect to the Certificates.

* Preliminary, subject to change.

Accuracy of Assumptions

To estimate the Net Revenues which will be available to pay the Series 2021 Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the effect of the COVID-19 pandemic and associated economic recession, the rates and charges to be imposed in future years pursuant to the Rate Plan, the expenses associated with operating the Wastewater System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the Series 2021 Installment Payments will, in all likelihood, be less than those projected herein. See the captions “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage.”

In particular, if the Rate Plan is not adopted as currently contemplated, Net Revenues will differ materially from those shown herein. See the captions “THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

The District may choose, however, to maintain compliance with the rate covenant set forth in the Installment Purchase Agreement in part by means of contributions from available reserves or resources. In such event, Net Revenues may generate amounts which are less than 1.25 times Debt Service in any given Fiscal Year. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

System Demand

There can be no assurance that the demand for Wastewater Service or recycled water will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenant.” Demand for Wastewater Service and recycled water could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

System Expenses

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors. Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

Limited Recourse on Default

If the District defaults on its obligation to pay the Series 2021 Installment Payments, the Trustee, as assignee of the Corporation, has the right to declare the total unpaid principal amount of the Series 2021 Installment Payments, 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 District will have sufficient funds to pay such accelerated amounts from Net Revenues.

Natural Disasters and Seismic Considerations

General. The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Wastewater System.

Although the District maintains insurance for damage to the Wastewater System as described under the caption “THE DISTRICT—District Insurance,” 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, significant portions of the Wastewater System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Wastewater System as a result of natural disasters could result in uninsured losses to the District.

Seismic Activity. The District is located in a seismically active region. Significant faults are located near the District, including the San Andreas Fault and the West Napa Fault, which suffered a magnitude 6.0 earthquake in 2014. 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 District, including the Wastewater System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Wastewater System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also undertaken a vulnerability assessment of critical Wastewater System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Wastewater System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District does not maintain earthquake insurance on Wastewater System facilities. See the caption “THE DISTRICT—District Insurance.”

Fire. Wildfires have occurred in recent years in different regions of the State, including in 2020 in areas in and near the District’s service area. None of such fires have affected the Wastewater System infrastructure or the property of the District’s customers. However, there can be no assurance that fires will not occur within the boundaries of the District in the future, leading to the destruction of the property of District customers, decreased usage of the District’s Wastewater System and a decline in Net Revenues. The District carries property insurance for fire damage to Wastewater System Facilities.

In the event of an unusual or sustained heat wave in Northern California, Pacific Gas & Electric, the District’s electricity supplier, may elect to shut off electric power to District facilities (and other customers) with little or no advance warning in order to prevent electrical distribution and facilities from sparking a wildfire. Such an event, known as a Public Safety Power Shutoff (a “PSPS”), occurred for approximately 42 hours in 2019.

The District maintains backup diesel power generators. During the 2019 PSPS, such backup power generators supplied electrical power to the District for the duration of the time that electricity was unavailable. However, there can be no assurance that the District will have sufficient backup supplies to power District facilities and ensure the provision of Wastewater Service during future PSPSs. See the subcaption “—Climate Change” below.

Drought. On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage. There can be no assurance that future drought conditions will not re-appear in the future, leading to decreased usage of the District’s Wastewater System, or that the State’s permanent water usage restrictions will not lead to decreased usage of the District’s Wastewater System.

Climate Change. Climate change caused by human activities may have adverse effects on the District's Wastewater System. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The District considers the potential effects of climate change in its planning.

Projections of the impacts of global climate change on the District are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the District has considered climate change in operating the Wastewater System, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the District's past and future investment in adaptation strategies, the District can give no assurance about the net effects of those strategies and whether the District will be required to take additional adaptive mitigation measures.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable 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 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 servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners 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 opinion to be delivered by Special Counsel concurrently with the execution and delivery of the Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the Certificates will be similarly qualified. See Appendix C. In the event that the District fails to comply with its covenants under the Installment Purchase Agreement or fails to pay the Series 2021 Installment Payments, which secure the payments of principal and interest with respect to the Certificates, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the Certificates.

Limited Obligations

The Installment Purchase Agreement is a limited obligation of the District payable solely from Net Revenues and secured solely by the Revenues pledged in the Installment Purchase Agreement. If for any reason, the District does not collect sufficient Revenues to pay the Series 2021 Installment Payments, the District will not be obligated to utilize any other of its funds, other than certain amounts on deposit in the funds and accounts established under the Trust Agreement, to pay the Certificates. The District has no taxing power. The obligation of the District does not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

Statutory and Regulatory Compliance

Laws and regulations governing collection, treatment and disposal of wastewater 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 Wastewater System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Wastewater System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal wastewater systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay the Series 2021 Installment Payments.

Parity Obligations

The Installment Purchase Agreement permits the District to enter into Bonds and Contracts payable from Net Revenues on a parity with the Series 2021 Installment Payments, which secure the Certificates, subject to the terms and conditions set forth therein. The entry into of additional Bonds and Contracts could result in reduced Net Revenues available to pay the Series 2021 Installment Payments. The District has covenanted to maintain coverage of at least 125% of Debt Service, as further described under the caption “SECURITY FOR THE CERTIFICATES—Limitations on Parity and Superior Obligations; Subordinate Obligations—Additional Obligations on a Parity with the Installment Payments.”

Loss of Tax Exemption

Interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date that the Certificates were executed and delivered as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Agreement and Trust Agreement. In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the Certificates are not subject to a special prepayment and will remain outstanding until maturity.

Secondary Market for the Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates 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 in connection with a particular issue 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.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. 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.

The District contracts with Napa County Information Technology Services (“ITS”) to provide a total information technology support package. This includes network and server administration and monitoring, desktop and server virus scanning and security and firewall services. ITS regularly analyzes the network

construct for potential weaknesses in cyber security and thereafter promptly implements solutions for identified shortfalls. In addition, the District contracts with third party vendors to monitor and augment internal monitoring of the District's Supervisory Control and Data Acquisition (SCADA) systems. To date, the District has not experienced an external attack on its computer operating systems resulting in a data breach. ITS staff is regularly trained to spot potential scams or inconsistencies in network performance which may indicate system vulnerability. However, there can be no assurance that a future attack or attempted attack would not result in disruption of District operations. The District expects that any such disruptions would be temporary in nature.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B 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 XIII B 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 XIII B 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 District is of the opinion that its charges for Wastewater Service do not exceed the costs that it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE CERTIFICATES—Rate Covenant" for a description of the District's covenant to set rates and charges for the Wastewater 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 XIII C and XIII D 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 XIII D. Article XIII D 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 and wastewater 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 District complies with the notice, hearing and protest procedures of Article XIID when considering rate increases.

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 August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that taxpayers do not have the right under Proposition 218 to challenge water rates by referendum, and the District does not believe that Article XIIC grants to the voters within the District 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 Wastewater Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Wastewater System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Certificates. Remedies that are available to Beneficial Owners of the Certificates in the event of a default by the District 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 Certificates are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Certificates and the rights and remedies of the Certificate Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the Certificates, the Trust Agreement and the Installment Purchase Agreement 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 and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Special Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Future Initiatives

Articles XIII B, XIII C and XIII D 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 District's revenues or ability to increase revenues.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) 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; (2) 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; (3) 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; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) 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; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 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 District does not believe that the enactment of Proposition 26 affects its ability to charge for services provided by its Wastewater System.

THE CORPORATION

The Corporation was organized on June 1, 2009 pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the Corporations Code), for the purpose of providing financial assistance to the District in acquiring, constructing, improving and developing certain real and personal property together with appurtenances for the use, benefit and enjoyment of the public. The Corporation was formed at the request of the District to assist in financings such as the installment purchase described in this Official Statement. The members of the District Board serve as the Board of Directors of the Corporation. The Corporation has no liability to the Owners, and has pledged none of its moneys, funds or assets to any Series 2021 Installment Payments or any payments under the Certificates.

TAX MATTERS

In the opinion of Special 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) with respect to the Certificates 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 Special Counsel, interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the Certificates is based upon certain representations of fact and certifications made by the Corporation, the District and others and is subject to the condition that the Corporation and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Certificates to assure that interest (and original issue discount) with respect to the Certificates 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) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The Corporation and the District have covenanted to comply with all such requirements.

In the opinion of Special Counsel, the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated prepayment price at maturity of such Certificate 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 Certificate. The amount of original issue discount that accrues to the Beneficial Owner of a Certificate is excluded from the gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

The amount by which a Certificate Owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable premium, which must be amortized under Section 171 of the Code; such amortizable premium reduces the Certificate Owner's basis in the applicable Certificate (and the amount of tax-exempt interest received with respect to the Certificates), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate Owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt obligations, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (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 execution and delivery of the Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the Certificates or their market value.

SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES 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 CERTIFICATES, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES 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 CERTIFICATES, 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 CERTIFICATES.

Special Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement, the Installment Purchase Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. Special 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 Certificate if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Special Counsel has rendered an opinion that interest (and original issue discount) with respect to the Certificates is excluded from gross income for federal income tax purposes provided that the Corporation and the District continue to comply with certain requirements of the Code, the ownership of the Certificates and the accrual or receipt of interest (and original issue discount) with respect to the Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Certificates.

Should interest (and original issue discount) with respect to the Certificates become includable in gross income for federal income tax purposes, the Certificates are not subject to early prepayment and will remain outstanding until maturity or until prepayment in accordance with the Trust Agreement.

A copy of the proposed form of opinion of Special Counsel is set forth in Appendix C.

CERTAIN LEGAL MATTERS

The validity of the Installment Purchase Agreement and the Trust Agreement are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Special Counsel. The form of such legal opinion is set forth in Appendix C and such legal opinion will be attached to each Certificate.

Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and for the District and the Corporation by Meyers Nave, Oakland, California, as General Counsel to the District and the Corporation. Certain legal matters will be passed upon for the Trustee by its counsel. Payment of the fees of Special Counsel is contingent upon execution and delivery of the Certificates.

MUNICIPAL ADVISOR

The District has retained KNN Public Finance, LLC, Berkeley, California, as its Municipal Advisor in connection with the execution and delivery of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of the fees of the Municipal Advisor is contingent upon the execution and delivery of the Certificates.

LITIGATION

General

Except as otherwise described in this Official Statement, 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 District or the Corporation, threatened against the District or the Corporation affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the action of the District or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Corporation or their respective authority with respect to the Certificates or any action of the District or the Corporation contemplated by any of said documents.

Rate Litigation

On September 25, 2017, a lawsuit was filed in the Superior Court for the County of Napa (the “**Court**”) against the District (the “**Condo Rate Case**”). The plaintiff in the Condo Rate Case owns a portion of a condominium complex within the District’s service area and rents the condominium units as apartments. Under the District’s current rate structure, the wastewater rate for condominium units is equal to the rate for single family dwellings, whereas the wastewater rate for apartment units is 60% of the rate for single family dwellings. The plaintiff alleges that no study was undertaken by the District to support applying different wastewater rates to condominium units and apartment units. There are approximately 3,050 condominium units within the District’s service area, and if the wastewater rate that is assigned to condominium units were reduced to equal the wastewater rate that is assigned to apartment units, the District estimates that Revenues would be reduced by approximately \$900,000 in each future Fiscal Year through Fiscal Year 2025, assuming no changes in the District’s current rates. See the caption “THE WASTEWATER SYSTEM OF THE DISTRICT—Wastewater System Rates and Charges.”

The projected operating results that are set forth under the caption “FINANCIAL INFORMATION OF THE DISTRICT—Projected Operating Results and Debt Service Coverage” assume that the District will slightly reduce wastewater rates on condominium units in accordance with the Rate Plan and a supporting rate study, but they do not reflect a reduction in wastewater rates on condominium units to the level of the rates on apartment units. However, because a rate reduction resulting from an adverse ruling in the Condo Rate Case would potentially affect less than 2.5% of the District’s total annual Revenues, the District is of the opinion that any such adverse ruling would not have a material impact on the District’s finances or its ability to pay the Series 2021 Installment Payments. The District notes that, on December 16, 2020, the Court issued a tentative ruling to dismiss the plaintiff’s claims and find in favor of the District. The District is currently seeking a final ruling and dismissal of the Condo Rate Case, but the District expects the plaintiff to appeal any such final ruling. There can be no assurance as to the ultimate outcome of this matter or the timing thereof.

RATING

The Authority expects that S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“**S&P**”) will assign the Certificates the rating of “___”.

Future events, including the impacts of the COVID-19 pandemic that is described under the caption “THE DISTRICT—COVID-19 Outbreak,” could have an adverse impact on the rating of the Certificates, and there is no assurance that any credit rating that is given to the Certificates will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by a rating agency if, in the judgment of such rating agency, circumstances so warrant, nor can there be any assurance that the criteria required to achieve a rating on the Certificates will not change during the period that the Certificate remain

outstanding. Any such qualification, downgrade, lowering or withdrawal of the rating may have an adverse effect on the market price of the Certificates. The rating reflects only the current views and current rating criteria of S&P (which views and criteria could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the Certificates with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Certificates are directed to S&P and their respective websites and official media outlets for the most current rating with respect to the Certificates after the initial execution and delivery thereof.

In providing a rating on the Certificates, 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 Trust Agreement or the Installment Purchase Agreement. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District 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.

UNDERWRITING

The Certificates are being purchased by _____ (the “**Underwriter**”). The purchase price of the Certificates is equal to \$_____, being the aggregate principal amount of the Certificates of \$_____, less an Underwriter’s discount of \$_____ and plus/less net original issue premium/discount of \$_____. The Underwriter is obligated to purchase all of the Certificates if any are purchased. The obligation to make such purchase is subject to certain terms and conditions, the approval of certain legal matters by counsel and certain other conditions.

Under certain circumstances, the initial public offering yields stated on the page immediately following the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts), dealer banks, banks acting as agent and others at yields higher than said public offering yields.

CONTINUING DISCLOSURE UNDERTAKING

The District has covenanted in a Continuing Disclosure Agreement, dated as of February 1, 2021 (the “**Continuing Disclosure Agreement**”), by and between the District and U.S. Bank National Association, as dissemination agent, to provide annually certain financial information and operating data relating to the Wastewater System of the District by not later than each March 1 following the end of its Fiscal Year, including the audited Financial Statements of the District for each such Fiscal Year (together, the “**Annual Report**”), provided that the first Annual Report due March 1, 2021 shall consist solely of this Official Statement, and to provide notices of the occurrence of certain enumerated events.

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 Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission.

[DISCLOSURE RE PAST COMPLIANCE TO COME] In order to ensure compliance with the District’s continuing disclosure obligations in the future, the District has retained U.S. Bank National Association to assist with the preparation and filing of Annual Reports.

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 the statements 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 Certificates.

The execution and delivery of this Official Statement have been duly authorized by the District.

NAPA SANITATION DISTRICT

General Manager

APPENDIX A
AUDITED FINANCIAL STATEMENTS

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Installment Purchase Agreement and the Trust Agreement which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

[TO COME]

APPENDIX C

FORM OF LEGAL OPINION

Upon execution and delivery of the Certificates, Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel, proposes to render its final approving opinion in substantially the following form:

February __, 2021

Napa Sanitation District
Napa, California 94558

Re: \$_____ *Napa Sanitation District Revenue Certificates of Participation, Series 2021A*

Members of the Board of Directors:

We have acted as Special Counsel to the Napa Sanitation District (the "District") in connection with the execution and delivery of \$_____ aggregate principal amount of the Napa Sanitation District Revenue Certificates of Participation, Series 2021A (the "Certificates"), dated the date hereof, evidencing and representing an interest of the registered owner thereof in the right to receive a portion of certain Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Installment Purchase Agreement, dated as of February 1, 2021 (the "Agreement"), by and between the District and the Napa Sanitation District Public Financing Corporation (the "Corporation"), which right to receive such Installment Payments has been assigned by the Corporation to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to the Assignment Agreement, dated as of February 1, 2021, by and between the Trustee and the Corporation. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement, dated as of February 1, 2021 (the "Trust Agreement"), by and among the District, the Corporation and the Trustee.

In connection with our representation we have examined a certified copy of the proceedings relating to the Certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings show lawful authority for the execution and delivery by the District of the Agreement and the Trust Agreement under the laws of the State of California now in force, the Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee and the Corporation, as appropriate, are valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the District to make the Installment Payments from Net Revenues (as defined in the Agreement) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Installment Payment constituting interest (and original issue discount) with respect to the Certificates 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.

5. The portion of each Installment Payment constituting interest (and original issue discount) is exempt from State of California personal income tax.

6. The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate Owner will increase the Certificate Owner's basis in the applicable Certificate. In the opinion of Special Counsel, the amount of original issue discount that accrues to the Owner of a Certificate is excluded from the gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

7. The amount by which a Certificate Owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable premium reduces the Certificate Owner's basis in the applicable Certificate (and the amount of tax-exempt interest received with respect thereto), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Certificate Owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificates to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The opinions expressed herein as to the exclusion from gross income of the portion of each Installment Payment constituting interest with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Installment Payment constituting interest with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Installment Payment with respect to the Certificates constituting interest to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District 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 with respect to the Certificates terminates on the date of their execution and delivery. The Trust Agreement, the Agreement and the Tax Certificate relating to the Certificates permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of the portion of each Installment Payment constituting interest (and original issue discount) with respect to the Certificates for federal income tax purposes with respect to any Certificate 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 Certificates.

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 Trust Agreement, the Agreement and the Certificates 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 or other offering material relating to the Certificates and expressly disclaim any duty to advise the Owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates 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 Certificates. The Certificates 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 certificate will be issued for each annual maturity of the Certificates, 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 has a Standard & Poor's rating of AA+. 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such

Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments with respect to the Certificates 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 District 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment 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 District 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 Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District 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 District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE CERTIFICATES, WILL SEND ANY NOTICE OF PREPAYMENT 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 PREPAYMENT OF THE CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

Upon the execution and delivery of the Certificates, the District 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 Napa Sanitation District (the “**District**”) and U.S. Bank National Association in its capacity as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of the Napa Sanitation District Revenue Certificates of Participation, Series 2021A in an aggregate principal amount of \$_____ (the “**Certificates**”). The Certificates are being executed and delivered pursuant to the provisions of that certain Trust Agreement, dated as of February 1, 2021 (the “**Trust Agreement**”), by and between the District and U.S. Bank National Association, as trustee (the “**Trustee**”). The District 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 Certificates 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 Trust Agreement, 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 District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report Date*” shall mean each March 1 after the end of the District’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, U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent that is so designated in writing by the District 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 February __, 2021, relating to the Certificates.

“*Participating Underwriter*” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” shall mean Rule 15c2-12 adopted by the 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 District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 1, 2021 (provided that the first Annual Report shall consist solely of the Official Statement), provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 15 calendar days prior to such date, the District shall provide its Annual Report to the Dissemination Agent, if such Dissemination Agent is a different entity than the District. 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 District 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 District'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 District 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 District and shall have no duty or obligation to review such Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District 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 District 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 District.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the prior fiscal year 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 Certificates 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 WASTEWATER SYSTEM OF THE DISTRICT":

1. Historical Wastewater System Connections;
2. Historical Wastewater System Usage;
3. Historical Water System Service Charge Revenues; and
4. Largest Wastewater 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 OF THE DISTRICT”:

1. Historical 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 District 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 District 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 District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Certificates 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 District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or shall cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Certificates, 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 Certificates or other events affecting the tax status of the Certificates.

2. Modifications to the rights of Bondholders.
3. Bond calls.
4. Release, substitution or sale of property securing repayment of the Certificates.
5. Non-payment related defaults.
6. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) If the District 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 District, the District 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 District 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 District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District'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 District 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 Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 7. Dissemination Agent. The District 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 District shall act as Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment requested by the District, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, if the District has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

The District 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 District 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 District 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 District 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 District 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 District to comply with any provisions of this Disclosure Agreement, any Participating Underwriter or any holder or Beneficial Owner of the Certificates, or the Trustee on behalf of the holders of the Certificates (after receiving indemnification to its satisfaction), may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District 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 Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District 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 District 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 District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The Dissemination Agent shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Agreement. The District shall pay the reasonable fees and expenses of the Dissemination Agent for its duties as described hereunder. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under Article VIII of the Trust Agreement.

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 District) and to the District as follows:

District:	Napa Sanitation District
	1515 Soscol Ferry Road
	Napa, California 94558
	Attention: General Manager

Dissemination Agent: U.S. Bank National Association
1 California Street, Suite 1000
San Francisco, California 90071
Attention: Global Corporate Trust
Reference: Napa Sanitation District 2021 Bonds

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Trustee, the Participating Underwriter and holders and Beneficial Owners from time to time of the Certificates, 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: February __, 2021

NAPA SANITATION DISTRICT

By: _____
General Manager

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory