City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: October 6, 2009

SUBJECT: Woodland Finance Authority, Wastewater Revenue Bonds (Second Senior Lien), Series 2009

Report in Brief

A number of capital projects associated with the Wastewater Enterprise System are in need of completion in a timely manner in order to ensure proper system function. The resources necessary to complete these projects, which include sewer line rehabilitation and trunk line repairs, sludge removal and disposal and major asset replacement, require the issuance of wastewater revenue bonds that will generate an amount not to exceed $14,000,000. Actions that need the City Council and Woodland Finance Authority approval as described herein include adopting a resolution to that effect, approval of the forms and authorization of execution and delivery of a First Supplemental Installment Purchase Contract, a First Supplemental Trust Agreement, an Official Statement, a Bond Purchase Contract, a Continuing Disclosure Certificate, and authorizing related actions and matters thereto.

Staff recommends that the City Council adopt Resolution No. ___ and the Woodland Finance Authority adopt Resolution No. ___ approving the issuance of the 2009 Wastewater Revenue Bonds in an amount not to exceed $14,000,000 and approve all related documents and actions thereto, including appointing the underwriting firm of Southwest Securities to market the 2009 Bonds, the law firm of Kronick, Moskovitz, Tiedemann & Girard as Bond Counsel, the law firm of Lofton & Jennings as Disclosure Counsel and Del Rio Advisors, LLC as Financial Advisor.

Background

In 1988 the City issued $15,685,000 of Certificates of Participation (1988 Wastewater System Improvement Project) (the “1988 Certificates”) to finance the construction of various improvements to the City’s existing wastewater treatment plant and collection system. The 1988 Certificates were insured by AMBAC Indemnity Corporation.

In 1992 the City issued $17,335,000 Certificates of Participation (1992 Wastewater System Refunding Project) (the “1992 Certificates”) to refinance the 1988 Certificates. The 1992 Certificates were insured by AMBAC Indemnity Corporation.

In December 2002 the Authority issued 2002 Lease Revenue Bonds (the "2002 Bonds") in the amount of $33,215,000. The proceeds were used for the purpose of refinancing a portion of the 1992 Certificates, financing a major sewer treatment plant expansion ($16M) and financing other capital improvements ($9M), primarily consisting of road projects. The 2002 Bonds were rated A3 by Moody's Investors Service and were insured by XLCA. The internal source of repayment for the sewer portion of the 2002 Bonds is Sewer MPFP fees. The annual lease payments securing the 2002 Bonds are also backed by the General Fund.

In February 2005, the City finalized a rate study and moved forward on the Proposition 218 process to increase sewer rates. The City Council held a public hearing on April 19, 2005 after notice thereof was mailed to all ratepayers in the City. On June 7, 2005 the City Council adopted Resolution No. 4655 increasing the sewer rates commencing July 1, 2005 and establishing annual increases through the annual billing period beginning on July 1, 2008. On July 1, 2009 the City adopted a rate increase consistent with cost of living adjustments per the Consumer Price Index.

In November 2005, the Authority issued Wastewater Revenue Bonds (Second Senior Lien), Series 2005 (the "2005 Bonds") in the amount of $17,635,000. The remaining 1992 Certificates had certain covenants that were restrictive by modern standards and were expensive to pay off since they were non-callable. For these reasons the City pledged, in the Installment Sale Agreement for the 2005 Bonds, to not issue any more bonds under the Indenture from the 1992 Certificates. This allowed the Authority to create a new more modern indenture for the issuance of all future series and also not incurring the expense of retiring non-callable bonds. The proceeds of the 2005 Bonds were used to expand the treatment facility from 7.8 mgd to 10.4 mgd, add tertiary treatment and construct certain flood improvements at the facility. The bonds were rated A3 by Moody's Investors Service and insured by MBIA.

Currently, several projects have been identified and analyzed by staff related to this financing effort. These projects include the following:

Sewer Line Rehabilitation – This project will repair approximately 7,000 feet of reinforced concrete pipe that has been damaged by hydrogen sulfide gas generated by biological process in the collection system. (Line 36 inch RCP Beamer Trunk Line and 48 inch RCP Beamer/Kentucky Sewer Trunk Line)

Sludge Removal and Disposal – Sludge removal from North Ponds for conversation of pond to storm drainage facility for Southeast Urban Growth Area and Gateway II.

Water Pollution Asset Replacement – Multiple projects including the replacement of screw pumps, the replacement of Oxidation Ditch #3 rotor equipment, the replacement of cloth filter media and the replacement of the Hycor Compactor with a JWC unit for odor control and standardization of plant equipment.

Discussion

Staff is seeking approval to finance the funds needed to complete various sewer projects, as described above. The financing will be accomplished through the issuance of Woodland Finance Authority, Wastewater Revenue Bonds (Second Senior Lien), Series 2009 (the "2009 Bonds"). The City will pledge to make installment payments to the Authority from Net Revenues of the Sewer Enterprise defined as Gross Revenue less Operations & Maintenance (O&M) less debt service on the 1992 Certificates that mature in 2012. Gross Revenue includes all revenue of the Sewer fund including not only utility rate revenue but also Sewer MPFP fees and other sources such as interest earnings on fund balances. The City is pledging to raise rates and charges in amounts sufficient to cover debt service on both the 2005 Bonds and the 2009 Bonds (together the "Parity Bonds") by at least 1.25x (125%).

Because the City pledged to not issue any additional bonds under the 1992 Indenture, the 2009 Bonds will have a secondary claim to the Net Sewer Revenue subordinate to that of the 1992 Certificates. When the 1992 Certificates mature in 2012; both the 2005 and 2009 bonds will take a first position claim on Net Sewer Revenue. The 2002 Bonds have the internal source of repayment defined as Sewer MPFP fees and a backup pledge of the General Fund. The 2002 Bonds are paid after the payment of the 1992 Certificates, the 2005 Bonds and the proposed 2009 Bonds.

The following legal documents related to the Wastewater Revenue Bonds (Second Senior Lien), Series 2009 have been prepared in substantially final form and attached for Council and Authority review:

- First Supplemental Installment Sale Agreement by and between the City and the Authority whereby the City will acquire the specific wastewater system improvements from the Authority in exchange for the payments described therein.

- First Supplemental Trust Agreement between the Woodland Finance Authority and U.S. Bank National Association, as Trustee in connection with the sale of the bonds.

- Official Statement

- Bond Purchase Contract between Southwest Securities Inc. (Underwriter) and the Woodland Finance Authority in connection with the purchase of the bonds.

- Continuing Disclosure Certificate

The financing team intends to pursue a bond rating from Standard & Poor's Corporation (S&P) and bond insurance from the combined entity of Assured Guaranty (AGC) / Financial Security Assurance (FSA).

Staff is seeking approval for an amount not to exceed $14,000,000; however the current estimated amount of issuance is $12,320,000 which will provide $11,000,000 for projects described above, fund a reserve fund for the bonds and pay costs of issuance. The bonds are expected to be delivered on or around November 5, 2009.

Fiscal Impact

If approved, the 2009 Bonds will be issued on parity with the 2005 Bonds and subordinate to the 1992 Certificates of Participation. The 2009 Bonds are expected to be interest only from FY 2010 to FY 2012 and add approximately $1,000,000 per year to total debt service from FY 2013 through and including FY 2032. The annual debt service payments have been reflected in the updated 10-year Financial Plan for the Sewer Enterprise Fund and will be absorbed within the existing rate structure. Therefore, issuance of these bonds will not require a rate increase.

Public Contact

Posting of the City Council and Woodland Finance Authority Agenda.

Alternative Courses of Action

1. The City Council adopt Resolution No. ___ and the Woodland Finance Authority adopt Resolution No. ___ approving the issuance of the 2009 Wastewater Revenue Bonds in an amount not to exceed $14,000,000 and approve all related documents and actions thereto, including appointing the underwriting firm of Southwest Securities to market the 2009 Bonds, the law firm of Kronick, Moskovitz, Tiedemann & Girard as Bond Counsel, the law firm of Lofton & Jennings as Disclosure Counsel and Del Rio Advisors, LLC as Financial Advisor.

2. Direct staff to seek alternative funding sources for the proposed Wastewater Enterprise System projects, including sewer line rehabilitation and trunk line repair, sludge removal and disposal, and water pollution asset replacement.

Recommendation for Action

Staff recommends that the City Council and Woodland Finance Authority approve Alternative No. 1.

Prepared by: Amber D’Amato
Finance Officer

____
Mark G. Deven
City Manager

Attachments

CITY COUNCIL OF THE CITY OF WOODLAND

RESOLUTION NO. ______

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND APPROVING THE ISSUANCE BY THE WOODLAND FINANCE AUTHORITY OF NOT TO EXCEED $14,000,000 AGGREGATE PRINCIPAL AMOUNT OF WOODLAND FINANCE AUTHORITY WASTEWATER REVENUE BONDS (SECOND SENIOR LIEN), SERIES 2009; APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH IMPROVEMENTS TO WASTEWATER COLLECTION AND TREATMENT FACILITIES; AND AUTHORIZING RELATED ACTIONS AND MATTERS

WHEREAS, pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the California Government Code, the City of Woodland (the "City") and the Redevelopment Agency of the City have established a joint exercise of powers agency, the Woodland Finance Authority (the "Authority"), for the purpose of, among other things, financing public improvements;

WHEREAS, significant public benefits, including more efficient delivery of local City services to the public, will be provided through the Authority's financing improvements to the City's wastewater collection and treatment facilities by issuing bonds pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code;

WHEREAS, the following documents and proposed agreements relating to the issuance, sale and delivery of the Authority's proposed wastewater revenue bonds, which are incorporated herein by reference, have been presented to the City Council for its review and approval:

1. the First Supplemental Installment Sale Agreement (the "First Supplemental Installment Sale Agreement") between the Authority and the City, supplemental to the Installment Sale Agreement dated November 1, 2005 between the Authority and the City, whereby the City will acquire the specific wastewater system improvements described therein for the payments to be detailed therein; and

2. the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") relating to the wastewater revenue bonds;

WHEREAS, it appears to the City Council that the authorization, approval, execution, and delivery of the agreements described above or contemplated thereby or incidental thereto and the Authority's issuance, sale, and delivery of bonds are desirable and in the best interests of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council as follows:

Section 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

Section 2. Approval of Issuance of Bonds. The City hereby approves the issuance of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009 (the "Series 2009 Bonds"), in an aggregate principal amount not to exceed $14,000,000. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Series 2009 Bonds, including issuance of the Series 2009 in subseries if some are issued as Build America Bonds, shall be as provided in the Trust Agreement dated November 1, 2005, between the Authority and U.S. Bank National Association (the "Bank"), as supplemented by the First Supplemental Trust Agreement between the Authority and the Bank, as finally executed.

Section 3. Authorization of Officers to Execute and Deliver Documents. The City Council hereby authorizes and directs the Mayor, the City Manager, the Finance Director, and the City Clerk (the "Designated Officers"), for and in the name of the City, to approve, execute, and deliver the following agreements and documents:

a. the First Supplemental Installment Sale Agreement; and

b. the Continuing Disclosure Certificate;

in substantially the forms presented to the City Council at this meeting, which documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the document for the City. The execution of the foregoing documents by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the City Council's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of documents presented to the City Council at this meeting.

Section 4. Retention of Bond Counsel and Disclosure Counsel. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, is hereby appointed bond counsel to the City for the issuance and sale of the Series 2009 Bonds. Lofton & Jennings is hereby appointed disclosure counsel to the City for the issuance and sale of the Series 2009 Bonds.

Section 5. Authorization of Officers to Execute Documents. The City Council hereby authorizes and directs the Designated Officers and other officers and agents of the City, and each of them individually, for and in the name of and on behalf of the City, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Series 2009 Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

Section 6. Effective Date. This resolution shall take effect immediately upon its adoption.

APPROVED, PASSED, AND ADOPTED this 6th day of October 2009 by the City Council of the City of Woodland by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. Davies, Mayor

ATTEST:

Susan L. Vannucci, City Clerk

WOODLAND FINANCE AUTHORITY

RESOLUTION NO. 09 - ____

RESOLUTION APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF THE FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT, THE FIRST SUPPLEMENTAL TRUST AGREEMENT, AND THE BOND PURCHASE CONTRACT; AUTHORIZING THE ISSUANCE OF BONDS; APPROVING THE FORM OF THE OFFICIAL STATEMENT AND THE DISTRIBUTION THEREOF, AND APPROVING OTHER ACTIONS RELATED TO THE WOODLAND FINANCE AUTHORITY WASTEWATER REVENUE BONDS (SECOND SENIOR LIEN), SERIES 2009

WHEREAS, the Woodland Finance Authority (the "Authority") is a joint exercise of powers agency duly organized and operating pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act") and a joint exercise of powers agreement (the "Joint Powers Agreement") between the City of Woodland (the "City") and the Redevelopment Agency of the City of Woodland;

WHEREAS, Article 4 of the Act and the Joint Powers Agreement authorize the Authority to acquire and sell property and issue bonds to assist in financing public improvements for the City;

WHEREAS, to provide funds for the purpose of financing improvements to the City's wastewater collection and treatment facilities, the Authority intends to issue approximately $14,000,000 aggregate principal amount of its Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009 (the "Series 2009 Bonds");

WHEREAS, on October 6, 2009, the City adopted a resolution approving the financing of certain improvements to the City's wastewater system by the Series 2009 Bonds and making a finding of significant public benefit;

WHEREAS, the following proposed agreements and documents relating to the issuance, sale and delivery of the Series 2009 Bonds by the Authority, which are incorporated herein by reference, have been presented to the Board of Directors (the "Board") for its review and approval:

1. the First Supplemental Installment Sale Agreement (the "First Supplemental Installment Sale Agreement") between the Authority and the City, supplemental to the Installment Sale Agreement dated November 1, 2005 between the Authority and the City, whereby the City will acquire the specific wastewater system improvements described therein for the payments to be detailed therein;

2. the First Supplemental Trust Agreement (the "First Supplemental Trust Agreement") between the Authority and U.S. Bank National Association (the "Bank"), supplemental to the Trust Agreement dated November 1, 2005 between the Authority and the Bank, which will specify the specific terms of the Series 2009 Bonds;

3. the Bond Purchase Contract between the Authority and Southwest Securities (the "Underwriter") whereby the Authority will sell the Series 2009 Bonds to the Underwriter;

4. The Official Statement relating to the Series 2009 Bonds.

WHEREAS, it appears to the Board that the authorization, approval, execution, and delivery of the agreements described above or contemplated thereby or incidental thereto and the issuance, sale, and delivery of the Series 2009 Bonds in accordance with the Trust Agreement are desirable and in the best interests of the Authority;

WHEREAS, Section 54AA of the Internal Revenue Code of 1986 authorizes state and local governments, at their option, to issue a new debt instrument known as "Build America Bonds" as federally taxable governmental bonds with federal subsidies for a portion of their interest cost;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Woodland Finance Authority, as follows:

Section 1. **Recitals.** The foregoing recitals are true and correct and the Board so finds and determines.

Section 2. **Authorization of Officers to Execute and Deliver Documents.** The Board hereby authorizes and directs the President, the Vice President, the Administrator, the Treasurer, and the Secretary of the Authority (the "Designated Officers"), for and in the name of the Authority, to approve, execute, and deliver the following agreements and documents:

a. the First Supplemental Installment Sale Agreement;

b. the First Supplemental Trust Agreement;

c. the Bond Purchase Contract; and

d. the Official Statement;

in substantially the form presented to the Board at this meeting, which documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the document for the Authority. The execution of the foregoing documents by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of documents presented to the Board at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Series 2009 Bonds, including issuance of the Series 2009 in subseries if some are issued as Build America Bonds, shall be as provided in the Trust Agreement as supplemented by the First Supplemental Trust Agreement, as finally executed.

Section 3. **Authorization to Issue the Series 2009 Bonds.** The Board hereby authorizes the issuance of the Series 2009 Bonds in accordance with the terms of the Trust Agreement as supplemented by the First Supplemental Trust Agreement, as finally executed. If it is determined by a Designated Officer of the Authority to be in the best interest of the Authority, the Designated Officers may designate some or all of the Series 2009 Bonds as Build America Bonds.

Section 4. Authorization of Sale. The Board hereby authorizes the sale of not to exceed $14,000,000 principal amount of the Series 2009 Bonds to the Underwriter pursuant to the Bond Purchase Contract. The Designated Officers are hereby authorized and directed to negotiate with the Underwriter the final terms of the sale and its timing.

Section 5. Execution of the Series 2009 Bonds. The Designated Officers are hereby authorized and directed to execute each of the Series 2009 Bonds on behalf of the Authority.

Section 6. Distribution of Official Statement. The Authority hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Series 2009 Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Series 2009 Bonds. The Board hereby authorizes and directs the Designated Officers, and each of them, to deliver to the Underwriter a certificate to the effect that the Authority deems the preliminary Official Statement, in the form approved by a Designated Officer, to be final and complete as of its date, except for certain final pricing and related information that may be omitted pursuant to Rule 15c-12 of the Securities and Exchange Commission.

Section 7. Designation as Qualified Tax-Exempt Obligations. The Board hereby finds that the Series 2009 Bonds will not be private activity bonds as defined in Section 141 of the Internal Revenue Code of 1986; and the Board reasonably anticipates that the Authority and all subordinate entities and all entities that issue obligations on its behalf will not issue more than $30 million of tax-exempt obligations (excluding private activity bonds) during the current calendar year. The Authority hereby designates the Series 2009 Bonds that are not issued as Build America Bonds as qualified tax-exempt obligations within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986.

Section 8. General Authorization. The Board hereby authorizes and directs the Designated Officers and other officers and agents of the Authority, and each of them individually, for and in the name of and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Series 2009 Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

Section 9. **Effective Date**. This resolution shall take effect immediately upon its passage.

APPROVED, PASSED, AND ADOPTED on October 6, 2009, by the following vote:

AYES: Board Members:
NOES: Board Members:

ABSENT: Board Members:

ABSTAIN: Board Members:

____
Secretary of the Authority

DRAFT

FIRST SUPPLEMENTAL
INSTALLMENT SALE AGREEMENT

between

the CITY OF WOODLAND

and the

WOODLAND FINANCE AUTHORITY

Dated November 1, 2009

relating to
Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien),
Series 2009

(supplemental to the Installment Sale Agreement dated November 1, 2005)

FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT

Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien),
Series 2009

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FIRST SUPPLEMENTAL
INSTALLMENT SALE AGREEMENT

This FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT, dated November 1, 2009, between the CITY OF WOODLAND, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "City"), and the WOODLAND FINANCE AUTHORITY, a joint exercise of powers agency established pursuant to the laws of the State of California (the "Authority");

W I T N E S S E T H:

WHEREAS, the City has determined to make certain improvements to its wastewater collection and treatment facilities, and the Authority has agreed to finance the acquisition of those improvements and sell them to the City upon the terms and conditions set forth in the Installment Sale Agreement (the "Installment Sale Agreement"), dated November 1, 2005, between the Authority and the City, as supplemented herein;

WHEREAS, the installment payments hereunder will be applied by the Authority to secure and repay the bonds authorized pursuant to the Trust Agreement dated November 1, 2005, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement dated November 1, 2009 (collectively, the "Trust Agreement");

WHEREAS the Authority and the City have duly authorized the execution of this First Supplemental Installment Sale Agreement;

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed precedent to and in connection with the execution and delivery of this First Supplemental Installment Sale Agreement do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Supplemental Installment Sale Agreement;

NOW, THEREFORE, the parties hereto agree as follows:

I. Definitions. For all purposes of this First Supplemental Installment Sale Agreement and of any certificate, opinion, or other document herein mentioned, unless the context otherwise requires or unless otherwise defined herein, all defined terms shall have the meanings set forth in the Trust Agreement.

II. Supplemental Provisions. The following Article and Sections are hereby added to the Installment Sale Agreement:

ARTICLE 9
SERIES 2009 PROJECT; SERIES 2009 INSTALLMENT PAYMENTS

SECTION 9.1. Acquisition of the Series 2009 Project. (a) Acquisition Process. The Authority hereby agrees to cause the Series 2009 Project to be acquired by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete acquisition of the Series 2009 Project. The City hereby agrees that it will deposit the proceeds of the Series 2009 Bonds in the Series 2009 Project Fund as described in Section 13.03 (Application of Series 2009 Bond Proceeds) of the Trust Agreement, that it will cause the acquisition of the Series 2009 Project to be diligently performed, and that it will use its best efforts to cause the acquisition of the Series 2009 Project to be completed within three years from the date of execution of this First Supplemental Installment Sale Agreement, unforeseeable events or delays beyond the reasonable control of the City excepted. The City hereby agrees to take the actions described in Section 13.04 (Establishment and Application of Series 2009 Project Fund) of the Trust Agreement. The City shall invest the amounts on deposit in the Series 2009 Project Fund in the Local Agency Investment Fund referred to in Section 16429.1 of the California Government Code. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Series 2009 Project and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the Series 2009 Project Fund are sufficient to cover all such costs and expenses.

(b) Changes to the Series 2009 Project. The City may substitute other capital items for those listed as components of the Series 2009 Project in Exhibit A hereto, but only if the City first files with the Authority and the Trustee a Statement of the City:

(i) identifying the capital items to be substituted and the capital items they replace in the Series 2009 Project; and

(ii) stating that the estimated costs of acquisition of the substituted capital items are not less than such costs for the capital items previously planned;

together with an Opinion of Bond Counsel to the effect that the substituted capital items will not adversely effect the exclusion from gross income for federal income tax purposes of interest on the Series 2009 Bonds.

(c) Title. All right, title and interest in each component of the Series 2009 Project shall vest in the City immediately upon acquisition thereof. Such vesting shall occur without further action by the Authority or the City and the Authority shall, if requested by the City or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

SECTION 9.2. Purchase of the Series 2009 Project. The Authority hereby transfers its interest in and title to the Series 2009 Project to the City and the City purchases the Series 2009 Project from the Authority at the Purchase Price set forth in Section 9.3 (2009 Purchase Price).

SECTION 9.3. 2009 Purchase Price. (a) Purchase Price. The 2009 Purchase Price to be paid by the City hereunder for the Series 2009 Project is the sum of principal amount of the City's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Section 3.1 (Prepayment).

(b) Principal Component. The principal amount of the Series 2009 Installment Payments to be made by the City for the Series 2009 Project hereunder is ____________________________ dollars ($__________).

(c) Interest Component. The interest to accrue on the unpaid balance of such principal amount of Series 2009 Installment Payments is as specified in Exhibit B and shall be paid by the City as and constitutes interest paid on the principal amount of the City's obligations hereunder.

SECTION 9.4. Installment Payments. The Authority and the City hereby agree that the City shall pay the 2009 Purchase Price to the Trustee in Series 2009 Installment Payments on each Installment Payment Date in the amounts shown on Exhibit B, subject to any rights of prepayment provided in Section 3.1 (Prepayment). The Trustee will apply the Series 2009 Installment Payments for the payment of principal (whether at maturity or upon redemption or acceleration) of and interest on the Series 2009 Bonds, until all such amounts shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Trust Agreement.

The City shall pay the Series 2009 Installment Payments to the Trustee in immediately available funds for deposit in the Revenue Fund established pursuant to the Trust Agreement. If the City will not have sufficient Net Wastewater Revenues to make all Installment Payments due on an Installment Payment Date, the City shall so notify the Trustee fifteen (15) Business Days before such Installment Payment Date. If the City fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid, and the City agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2009 Installment Payments, respectively, if paid in accordance with their terms.

SECTION 9.5. Obligation to Pay. The obligation of the City to make the Series 2009 Installment Payments from the Net Wastewater Revenues is absolute and unconditional; and, until such time as the 2009 Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article 4 (Discharge of Obligations), the City will not abate, discontinue, or suspend any Series 2009 Installment Payments required to be made by it under this section when due, whether or not the Series 2009 Project or any part of either thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, whether by reason of material damage to, material destruction of, taking under the power of eminent domain (or sale to any entity threatening the use of such power), material title defect, or other reason. The Series 2009 Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

SECTION 9.6. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Certificate.

III. Provisions of the Installment Sale Agreement. Except as in this First Supplemental Installment Sale Agreement expressly provided, every term and condition contained in the Installment Sale Agreement shall apply to this First Supplemental Installment Sale Agreement with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Installment Sale Agreement.

This First Supplemental Installment Sale Agreement and all the terms and provisions herein contained shall form part of the Installment Sale Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Installment Sale Agreement. The Installment Sale Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

IV. Separability of Invalid Provisions. If any one or more of the provisions contained in this First Supplemental Installment Sale Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this First Supplemental Installment Sale Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this First Supplemental Installment Sale Agreement, and this First Supplemental Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City and the Authority each hereby declares that it would have adopted this First Supplemental Installment Sale Agreement and each and every other Section, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplemental Installment Sale Agreement may be held illegal, invalid, or unenforceable.

V. Effect of Headings and Table of Contents. The headings or titles of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this First Supplemental Installment Sale Agreement.

VI. Execution in Counterparts. This First Supplemental Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Installment Sale Agreement by their officers thereunto duly authorized as of the day and year first written above.

WOODLAND FINANCE AUTHORITY

By ______________________________________
Mark Deven, Administrator

ATTEST:

____
Susan L. Vannucci, Secretary

CITY OF WOODLAND

By ______________________________________
Marlin H. Davies, Mayor

ATTEST:

____
Susan L. Vannucci, City Clerk

APPROVED AS TO FORM:

____
Andrew Morris, City Attorney

EXHIBIT A

DESCRIPTION OF THE SERIES 2009 PROJECT

The Series 2009 Project consists of the following components:

EXHIBIT B

SERIES 2009 INSTALLMENT PAYMENTS*

Installment Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total
Total			

* Installment Payments are due three Business Days prior to the Installment Payment Date.

DRAFT

FIRST SUPPLEMENTAL TRUST AGREEMENT

Between the

WOODLAND FINANCE AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION, as Trustee

Dated November 1, 2009

relating to
Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien)
Series 2009

(supplemental to the Trust Agreement dated November 1, 2005)

FIRST SUPPLEMENTAL TRUST AGREEMENT

Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien)
Series 2009

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FIRST SUPPLEMENTAL TRUST AGREEMENT

This First Supplemental Trust Agreement (the "First Supplement"), dated November 1, 2009, by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States (the "Trustee"), and the WOODLAND FINANCE AUTHORITY, a public agency duly established and existing under the laws of the State of California (the "Authority");

W I T N E S S E T H:

WHEREAS, the City of Woodland (the "City") has determined that the issuance by the Authority of a second series of bonds under the Trust Agreement dated November 1, 2005 (the "Trust Agreement"), between the Authority and the Trustee to finance improvements to the City's wastewater collection and treatment facilities will result in significant public benefits;

WHEREAS, the Authority has authorized the issuance of its Wastewater Revenue Bonds (Second Senior Lien), Series 2009 (the "Series 2009 Bonds"), in an aggregate principal amount of $[PAR AMOUNT] to finance the improvements;

WHEREAS, the Authority has determined to enter into this First Supplement in order to provide for the issuance of the Series 2009 Bonds, to establish and declare the terms and conditions upon which the Series 2009 Bonds shall be delivered and secured, and to secure the payment of the principal thereof and the premium (if any) and interest thereon;

WHEREAS, all acts, conditions, and things required by law to exist, to have happened, and to have been performed to make the Series 2009 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Authority payable in accordance with their terms, and to constitute this First Supplement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this First Supplement;

NOW, THEREFORE, the parties hereto agree as follows:

I. <u>Definitions</u>. Capitalized terms used herein and not defined herein shall have the definitions ascribed to such terms by the Trust Agreement. Unless the context otherwise requires, the additional terms defined below shall for all purposes hereof and of any amendment hereof or supplement hereto and any certificate, opinion, or other document herein mentioned have the meanings specified herein.

Continuing Disclosure Certificate means the City's continuing disclosure undertaking, dated the date of delivery of the Series 2009 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

First Supplemental Installment Sale Agreement means the First Supplemental Installment Sale Agreement by and between the City and the Authority dated November 1, 2009.

Series 2009 Insurer means **_______________**, a **______________** incorporated under the laws of the State of **___________**, or any successor thereto, as issuer of the Series 2009 Policy.

Series 2009 Policy means the financial guaranty insurance policy insuring payment of the principal of and interest on the Series 2009 Bonds and issued by the Series 2009 Insurer.

Series 2009 Installment Payments means the installment payments of interest and principal and the redemption premiums, if any, payable by the City under and pursuant to the Installment Sale Agreement as supplemented by the First Supplemental Installment Sale Agreement and described in Section 9.4 (Installment Payments) thereof.

2009 Purchase Price means the principal amount plus interest thereon owed by the City to the Authority under the terms of the First Supplemental Installment Sale Agreement for the Series 2009 Project.

2009 Wastewater Project shall mean the wastewater system facilities sold by the Authority to the City under the Installment Sale Agreement as described on Exhibit A to the First Supplemental Installment Sale Agreement.

II. Supplemental Provisions. The following Article and Sections are hereby added to the Trust Agreement:

ARTICLE XIII
THE SERIES 2009 BONDS

SECTION 13.01. Terms and Form of Series 2009 Bonds.

(A) Creation of Series 2009. The Authority hereby creates a second Series of Bonds and additionally designates them "Series 2009." At any time after the execution and delivery of this First Supplement, the Authority may execute and the Trustee shall authenticate and deliver the Series 2009 Bonds in the aggregate principal amount of $[PAR AMOUNT] upon the Order of the Authority.

(B) Book-Entry Form; Denominations. The Series 2009 Bonds shall be issued in fully registered form, in Authorized Denominations and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Series 2009 Bonds shall be evidenced by one Series 2009 Bond maturing on each of the maturity dates with respect to the Series 2009 Bonds in a denomination corresponding to the total principal amount of the Series 2009 Bonds payable on such date. Registered ownership of the Series 2009 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 (Book-Entry Provisions). The Series 2009 Bonds shall bear such distinguishing numbers and letters as may be specified by the Trustee.

(C) Date; Interest Accrual; Maturity Dates; Interest Rates. The Series 2009 Bonds shall be dated their date of delivery, shall mature in the following amounts on the following dates, and shall bear interest from their date at the following rates per annum:

Maturity Date (March 1)	**Principal Amount**	**Interest Rate**	**Maturity Date (March 1)**	**Principal Amount**	**Interest Rate**

* Term Bond Maturity

Interest on the Bonds shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

(D) Principal and Interest Payments. The principal or Redemption Price of the Series 2009 Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office or, as provided in Section 2.10(E) (Payments to Depository), by wire transfer on each principal and mandatory redemption payment date to "Cede & Co." or its registered assign, as sole registered Owner. Interest on the Series 2009 Bonds shall be payable on March 1, 2010, and thereafter semiannually on September 1 and March 1 of each year by check mailed on the Interest Payment Date or, as provided in Section 2.10(E) (Payments to Depository) and upon the written request received by the Trustee at least five (5) days before the applicable Record Date of any Owner of $1,000,000 or more in aggregate principal amount of Bonds who has provided the Trustee with wire transfer instructions, by wire transfer on each Interest Payment Date to the Owner thereof at the close of business on the Regular Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Any Owner that requests payment by wire transfer shall pay the associated wire charges. The Regular Record Date for the Series 2009 Bonds shall be the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date.

(E) Cessation of Interest Accrual. Interest on any Series 2009 Bond shall cease to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Trustee an amount sufficient to pay the redemption price thereof, plus interest accrued thereon to such date. The Owner of such Bond shall not be entitled to any other payment, and such Bond shall no longer be Outstanding and entitled to the benefits of this Trust Agreement, except for the payment of the purchase price, principal amount or redemption price, of such Bond, as appropriate, from moneys held by the Trustee for such payment.

SECTION 13.02. Redemption of Series 2009 Bonds.

(B) Casualty Loss or Governmental Taking. The Series 2009 Bonds shall be subject to redemption prior to maturity as a whole on any date or in part (in such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date, from prepaid Installment Payments made by the City from funds received by the City due to a casualty loss, material title defect, or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein and in the Installment Sale Agreement, at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(C) Optional Redemption. The Series 2009 Bonds are also subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the City, from moneys deposited by the Authority or the City from any source of available funds, as a whole or in part (in such maturities as may be specified by the City and at random within a maturity) on any date, on or after March 1, 20__, at a redemption price equal to the principal amount of Series 2009 Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

(D) Mandatory Sinking Account Redemption. (1) 20__ Series 2009 Term Bonds. Series 2009 Term Bonds maturing on March 1, 20__, are subject to redemption prior to their stated maturity, in part, at random from amounts deposited into the 20__ Sinking Account in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all 20__ Series 2009 Term Bonds optionally redeemed:

Mandatory Redemption Dates (March 1)	**Principal Amount**

* *Maturity*

SECTION 13.03. Application of Series 2009 Bond Proceeds. The Authority will cause a portion of the purchase price of the Series 2009 Bonds, $_______, to be paid directly to the Series 2009 Insurer in payment of the premium for the Series 2009 Policy delivered at the Closing Date. Upon receipt of the balance of the purchase price of the Series 2009 Bonds, $___________, from the purchaser thereof, the Trustee shall transfer $___________ to the City for deposit in the Series 2009 Acquisition Account (created by Section 13.04 (Establishment and Application of Acquisition Fund)) and deposit $____________ into the Reserve Fund. The Trustee may establish a temporary account in its records to facilitate such transfer.

SECTION 13.04. Establishment and Application of Series 2009 Acquisition Account. The City shall establish and maintain a separate account within the Acquisition Fund designated as the "Series 2009 Acquisition Account." The moneys in the Series 2009 Acquisition Account shall be used and withdrawn by the City to pay the costs of acquiring and constructing the 2009 Wastewater Project and to pay Costs of Issuance of the Series 2009 Bonds (or reimbursing the City for such costs). All earnings from the investment of moneys in the Series 2009 Acquisition Account shall be deposited therein. Upon completion of the 2009 Wastewater Project, the City shall transfer any amounts remaining in the Series 2009 Acquisition Account to the Trustee for deposit in the Revenue Fund.

SECTION 13.05. Validity of Series 2009 Bonds. The recital in the Series 2009 Bonds that they are delivered pursuant to the constitution and statutes of the State shall be conclusive evidence of their validity and of compliance with provisions of law in their issuance and delivery.

SECTION 13.06. Payment Procedure Pursuant to Series 2009 Policy; Additional Covenants. . As long as the Series 2009 Policy shall be in full force and effect, the Authority and the Trustee shall comply with the following procedure for payments under the Series 2009 Policy and these additional covenants:

[TO COME]

III. Provisions of the Trust Agreement. Except as in this First Supplement expressly provided, every term and condition contained in the Trust Agreement shall apply to this First Supplement and to the Series 2009 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplement.

This First Supplement and all the terms and provisions herein contained shall form part of the Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Trust Agreement. The Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

IV. Separability of Invalid Provisions. If any one or more of the provisions contained in this First Supplement or in the Series 2009 Bonds shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this First Supplement and such invalidity, illegality, or unenforceability shall not affect any other provision of this First Supplement, and this First Supplement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Trustee each hereby declares that it would have adopted this First Supplement and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the execution and delivery of the Series 2009 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplement may be held illegal, invalid, or unenforceable.

V. Effect of Headings and Table of Contents. The headings or titles of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this First Supplement.

VI. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Trust Agreement by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: ______________________________
Authorized Officer

WOODLAND FINANCE AUTHORITY

By: ______________________________
Mark Deven, Administrator

ATTEST:

____
Susan L. Vannucci, Secretary

EXHIBIT A

[FORM OF SERIES 2009 BOND]

WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BOND (SECOND SENIOR LIEN), SERIES 2009

No. R- ___

MATURITY DATE	INTEREST RATE PER ANNUM	ORIGINAL ISSUE DATE	CUSIP:
March 1, 20__.	_____%	November __, 2009	______________

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: $______________________

The WOODLAND FINANCE AUTHORITY, a joint exercise of powers agency duly organized and validly existing under and pursuant to the laws of the State of California (the "Authority"), for value received hereby, promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from their original issue date specified above until the principal hereof shall have been paid at the interest rate per annum specified above, payable on March 1, 2010, and semiannually thereafter on each March 1 and September 1. Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed by first class mail to the registered owner hereof or, upon the written request of any owner of $1,000,000 or more in aggregate principal amount of bonds (in accordance with the terms of the Trust Agreement described below), by wire transfer. The principal hereof is payable in lawful money of the United States of America at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee").

This Bond is one of a duly authorized issue of Bonds of the Authority designated as its Wastewater Revenue Bonds (Second Senior Lien) (the "Bonds"), unlimited in aggregate principal amount, except as otherwise provided in the Trust Agreement, which issue consists or may consist of one or more series of varying denominations, dates, maturities, interest rates, and other provisions, as provided in the Trust Agreement, all issued and to be issued pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the "Act") and pursuant to the provisions of a trust agreement dated November 1, 2005 (as amended and supplemented from time to time, the "Trust Agreement"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). This Bond is also one of a duly authorized series of Bonds additionally designated "Series 2009" (the "Series 2009 Bonds") issued pursuant to the provisions of the First Supplemental Trust Agreement dated November 1, 2009, in the aggregate principal amount of $[PAR AMOUNT].

The Bonds are issued to provide funds to finance the cost of the acquisition, construction and equipping of wastewater collection and treatment facilities for the City. The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts pursuant to the Trust Agreement and the revenues (the "Revenues") derived from Installment Payments and other payments made by the City of Woodland (the "City") pursuant to an installment Sale Agreement dated November 1, 2005 (as amended and supplemented from time to time, the "Installment Sale Agreement"), by and between the Authority and the City. The Authority is not obligated to pay interest on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues. The Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds as provided in the Trust Agreement.

The full faith and credit of the Authority and the City of Woodland are not pledged for the payment of the interest on or principal of the Bonds. No tax shall ever be levied or collected to pay the interest on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Authority or any of its income or receipts except the Revenues. Neither the payment of the interest on nor principal of the Bonds is a debt, liability or general obligation of the Authority.

Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds). All the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond. The registered owner of this Bond, by acceptance hereof, agrees and consents to all the provisions of the Trust Agreement. Copies of the Trust Agreement are on file at the corporate trust office of the Trustee.

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, as a whole on any date, or in part (in such maturities as may be specified by the City and at random within a maturity) on any interest payment date, from prepaid Installment Payments made by the City from funds received by the City due to a casualty loss, material title defect, or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Trust Agreement and in the Installment Sale Agreement, at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Series 2009 Bonds maturing on March 1, 20__, are also subject to mandatory redemption prior to their stated maturity, in part by lot, commencing on March 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in accordance with the schedule set forth in the Trust Agreement.

The Series 2009 Bonds are also subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the City, from moneys deposited by the Authority or the City from any source of available funds, as a whole or in part (in such maturities as may be specified by the City and at random within a maturity) on any date on or after March 1, 20__ at a redemption price equal to the principal amount of Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Notice of redemption of this Bond shall be given by first class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an event of default, as defined in the Trust Agreement, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement, except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Series 2009 Bond or Bonds of the same maturity and for the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication attached hereto shall have been executed and dated by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR

TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

The rights and obligations of the Authority and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon terms provided in the Trust Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

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

IN WITNESS WHEREOF, the Woodland Finance Authority has caused this Bond to be executed in its name and on its behalf by the President of the Authority and countersigned by the Secretary of the Authority, and has caused this Bond to be dated as of the original issue date specified above.

WOODLAND FINANCE AUTHORITY

By____
President

Countersigned:

____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BOND]

This is one of the Bonds described in the within mentioned Trust Agreement, which has been authenticated on ______________.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By____
Authorized Officer

[FORM OF ASSIGNMENT TO
APPEAR ON BOND]

For value received the undersigned do(es) hereby sell, assign and transfer unto ______________________ the within Bond and do(es) hereby irrevocably constitute and appoint ____________________ attorney, to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _______________

____
NOTE: The signature(s) to this Assignment must correspond with the name(s) on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed by:

____
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (being banks, stock brokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Tax
Identification Number, or other
identifying number of Assignee: ____

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds described therein. A signed copy is on file in my office.

____
Secretary of the Authority

[Closing Date]

Members of the Board
Woodland Finance Authority
300 First Street
Woodland, California 95695

Re: Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien), Series 2009
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Woodland Finance Authority (the "Authority") of $[PAR AMOUNT] aggregate principal amount of its Wastewater Revenue Bonds (Second Senior Lien), Series 2009 (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (the "Act") (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of the Trust Agreement, dated November 1, 2005, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement, dated November 1, 2009, between the Authority and the Trustee (collectively, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the City contained in the Trust Agreement, the Installment Sale Agreement, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Installment Sale Agreement and the Trust Agreement; to perform the other agreements on its part contained in the Trust Agreement; and to issue the Bonds.

2. The Trust Agreement has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority.

3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Installment Sale Agreement, to the extent more particularly described in the Trust Agreement.

4. The execution of the First Supplemental Trust Agreement has been duly authorized by the Authority in accordance with the Trust Agreement. The aggregate principal amount of Bonds issued under the Trust Agreement does not exceed any limitation imposed by law or by any Supplemental Trust Agreement. The Installment Sale Agreement, including the First Supplemental Purchase Contract, has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the City, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the City, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

7. The obligation of the City to make Installment Payments pursuant to the Installment Sale Agreement does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

8. Interest on the Bonds is excludable from gross income 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; nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

We express no opinion regarding other federal tax consequences, arising with respect to the accrual or receipt of interest on, or the ownership or disposition of the Bonds.

9. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Bonds and the enforceability of the Bonds, the Installment Sale Agreement, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Installment Sale Agreement under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Installment Sale Agreement.

e. We undertake no responsibility for the accuracy, completeness, or fairness of any offering materials relating to the Bonds and express no opinion herein with respect thereto.

f. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2009

NEW ISSUE–BOOK-ENTRY ONLY **RATING: S&P ____**
(See "RATING")

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2009A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the corporate alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2009 Bonds is exempt from State of California personal income taxes. Interest on the Series 2009B Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds. See "TAX MATTERS."

$__,___,000*
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009A
(Bank Qualified)

$__,___,000*
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009B
(FEDERALLY TAXABLE BUILD AMERICA BONDS)
(Bank Qualified)

Dated: Date of Delivery Due: March 1, as shown on the inside cover

The Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A in the principal amount of $__,___,000* (the "Series 2009A Bonds") and the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) in the principal amount of $__,___,000* (the "Taxable 2009B Bonds" and together with the Series 2009A Bonds, the "Series 2009 Bonds") are being issued by the Woodland Finance Authority (the "Authority") to: (i) finance the costs of acquiring, constructing and installing certain improvements (the "2009 Wastewater Project") to the wastewater system of the City (the "Wastewater System"); (ii) make a deposit into the Reserve Fund established for the Bonds under the Trust Agreement; and (iii) pay certain costs associated with the issuance and delivery of the Series 2009 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE 2009 WASTEWATER PROJECT."

The Series 2009 Bonds are issued pursuant to the terms of the Trust Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (together, the Trust Agreement"), each by and between the Authority and U.S. Bank National Association., as trustee (the "Trustee"). The principal of the Series 2009 Bonds is payable upon their respective stated maturities on March 1 of each year. Interest on the Series 2009 Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2010.

The Series 2009 Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of Installment Payments (defined herein) made by the City to the Authority pursuant to a Installment Sale Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Installment Sale Agreement, dated November 1, 2009 (together, the "Installment Sale Agreement") for the installment purchase of improvements to the Wastewater System.

Depending upon market conditions at the time of pricing, all or a portion of the Taxable 2009B Bonds may be issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Authority expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on such Taxable 2009B Bonds. See "THE SERIES 2009 BONDS–Designation of the Taxable 2009B Bonds as Build America Bonds."

The Series 2009 Bonds will be issued in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Series 2009 Bonds. Ownership interests in the Series 2009 Bonds may initially be purchased, in denominations of $5,000 or any integral multiple thereof, in book-entry only form as described herein. So long as Cede & Co is the registered owner of the Series 2009 Bonds, payments of principal and interest will be made to Cede & Co., as nominee for DTC. DTC is required in turn to remit such payments to DTC Participants for subsequent disbursements to Beneficial Owners. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants as more fully described herein. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2009 Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See "THE SERIES 2009 BONDS–Redemption Provisions."

THE SERIES 2009 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, CONSISTING PRIMARILY OF INSTALLMENT PAYMENTS AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF YOLO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2009 BONDS. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION PAYABLE SOLELY FROM NET WASTEWATER REVENUES AND CERTAIN OTHER LEGALLY AVAILABLE FUNDS AS PROVIDED IN THE INSTALLMENT SALE AGREEMENT AND DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY FOR WHICH IT IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH IT HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains information for quick reference only. It is ***not*** a complete summary of the Series 2009 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. **See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2009 Bonds.**

The Series 2009 Bonds are offered when, as and if issued, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by Best, Best & Krieger LLP, City Attorney and for the City and the Underwriter by Lofton & Jennings, San Francisco, California, Disclosure Counsel. It is anticipated that the Series 2009 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October __, 2009.

SOUTHWEST SECURITIES INC.

Dated: _________, 2009.

* Preliminary, subject to change.

$__,___,000*	**$__,___,000***
WOODLAND FINANCE AUTHORITY	**WOODLAND FINANCE AUTHORITY**
WASTEWATER REVENUE BONDS	**WASTEWATER REVENUE BONDS**
(Second Senior Lien)	**(Second Senior Lien)**
SERIES 2009A	**SERIES 2009B**
(Bank Qualified)	**(FEDERALLY TAXABLE BUILD AMERICA BONDS)**
	(Bank Qualified)

MATURITY SCHEDULE

$_______ 2009A Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.†	Maturity (March 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.†

$_________ _____% 2009A Bonds due March 1, 20__ Price ____% CUSIP No. ____________†
$_________ _____% 2009A Bonds due March 1, 20__ Price ____% CUSIP No. ____________†

$_______ Taxable 2009B Bonds

Maturity (March 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.†	Maturity (March 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.†

$_________ _____% Taxable 2009B Bonds due March 1, 20__ Price ____% CUSIP No. ____________†
$_________ _____% Taxable 2009B Bonds due March 1, 20__ Price ____% CUSIP No. ____________†

* Preliminary, subject to change.

† Copyright 2009, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriter takes any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

The information set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Authority, the City or the Underwriter. 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 Authority, the City or the Wastewater System since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking" statements. Such statements are generally identifiable by the words "plans," "expects," "forecasts," "projects," "intends," "budgets," "anticipates," "estimates," "assumes" and analogous expressions. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Estimated Debt Service Coverage" and "THE WASTEWATER SYSTEM–Revenues, Expenses and Debt Service Coverage–*Projected Revenues, Expenses and Debt Service Coverage.*" The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

All summaries of the Trust Agreement and the Installment Sale Agreement (each as defined herein), and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories. This Official Statement does not constitute a contract between any Owner of a Series 2009 Bond and the Authority, the City or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

In connection with this offering, the Underwriter may overallot or effect transactions that stabilize or maintain the market price of the Series 2009 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2009 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof, and said public offering prices may be changed from time to time by the Underwriter.

The issuance and sale of the Series 2009 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The City maintains a website. Unless specifically indicated otherwise, the information presented on that website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2009 Bonds.

WOODLAND FINANCE AUTHORITY
PRESIDENT AND BOARD
AND
CITY OF WOODLAND
MAYOR AND CITY COUNCIL

Marlin H. "Skip" Davies, *President and Mayor*
Art Pimentel, *Member and Vice Mayor*
Martie L. Dote, *Member and Councilmember*
William L. Marble, *Member and Councilmember*
Jeff Monroe, *Member and Councilmember*

AUTHORITY AND CITY STAFF

Mark G. Deven, *Administrator and City Manager*
Amber D'Amato, *Finance Officer*
Sue Vannucci, *Secretary, City Clerk and Director of Administrative Services*
Andrew Morris, *Counsel to the Authority and City Attorney*
Greg Meyer, *Public Works Director*

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Kronick, Moskovitz, Tiedemann & Girard,
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Sacramento, California
Bond Counsel

Lofton & Jennings
San Francisco, California
Disclosure Counsel

U.S. Bank National Association
San Francisco, California
Trustee

Del Rio Advisors, LLC
Modesto, California
Financial Advisor

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$__,___,000*
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SERIES 2009A
(Bank Qualified)

$__,___,000*
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009B
(FEDERALLY TAXABLE BUILD AMERICA BONDS)
(Bank Qualified)

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement (defined below). See also, APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–DEFINITIONS."

Authority; Purpose

The purpose of this Official Statement, including the cover page, the inside cover page and the Appendices hereto, is to furnish information with respect to the issuance, sale and delivery by the Woodland Finance Authority (the "Authority") of $__,___,000* principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A in the principal amount of $__,___,000* (the "Series 2009A Bonds") and $__,___,000* principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (the "Taxable 2009B Bonds" and together with the Series 2009A Bonds, the "Series 2009 Bonds").

The Series 2009 Bonds are being issued pursuant to a Trust Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (together, the "Trust Agreement") each by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority previously issued its Wastewater Revenue Bonds (Second Senior Lien), Series 2005 (the "Series 2005 Bonds"), pursuant to the Trust Agreement. The Series 2005 Bonds, the Series 2009 Bonds, and any additional series of bonds authorized to be issued under the Trust Agreement are referred to collectively as the "Bonds."

The Authority and the City of Woodland (the "City") entered into an Installment Sale Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental to Installment Sale Agreement, dated November 1, 2009 (together, the "Installment Sale Agreement"), pursuant to which the Authority agreed to acquire improvements to the wastewater system of the City (the "Wastewater System") and sell them to the City in exchange for installment payments (the "Installment Payments") made by the City. The Installment Payments are equal to the scheduled debt service on the Bonds.

Depending upon market conditions at the time of pricing, the Taxable 2009B Bonds are expected to be issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Authority expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on such Taxable 2009B Bonds. See "THE 2009 BONDS–Designation of the Taxable 2009B Bonds as Build America Bonds." The Taxable 2009B Bonds are also referred to in this Official Statement as the "Build America Bonds."

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* Preliminary, subject to change.

Purpose

The proceeds of the Series 2009 Bonds will be used to: (i) finance the costs of acquiring, constructing and installing certain improvements (the "2009 Wastewater Project") to the Wastewater System of the City (the "Wastewater System"); (ii) make a deposit into the Reserve Fund established for the Bonds under the Trust Agreement; (iii) fund capitalized interest on the Series 2009 Bonds; and (iv) pay certain costs associated with the issuance and delivery of the Series 2009 Bonds. See "THE 2009 WASTEWATER PROJECT."

Redemption

The Series 2009 Bonds are subject to optional, mandatory and extraordinary redemption prior to their respective stated maturities. See "THE SERIES 2009 BONDS–Redemption Provisions."

Security and Sources of Payment for the Bonds

General. The Authority will pay the principal of, redemption premium, if any and interest on the Series 2009 Bonds solely from Revenues, consisting of Installment Payments made by the City. The obligation of the City to make the Installment Payments from Net Wastewater Revenues is absolute and unconditional and until the Series 2009 Bonds are paid in full and may not be abated, discontinued or suspended whether or not the 2009 Wastewater Project or any part thereof is operating or operable or has been completed, or its use suspended, interfered with reduced or curtailed or terminated in whole or in part. The payments made by the City under the Installment Sale Agreement are scheduled in both time and amount to provide sufficient funds to pay, when due, the principal of and interest on the Series 2009 Bonds. Pursuant to the Trust Agreement, the Authority has pledged to the Trustee for the benefit of the Owners of the Bonds, all of the Revenues. **No funds or properties of the City, other than the Net Wastewater Revenues, are pledged to pay the Installment Payments.** See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Installment Sale Agreement."

Outstanding First Senior Lien Obligations. In 1992, the City issued $17,335,000 original principal amount of Certificates of Participation (1992 Wastewater System Refunding Project). As a result of the prepayment of certificates maturing on March 1, 2018 in the amount of $6,350,000, there are $2,460,000 principal amount of Certificates of Participation (1992 Wastewater System Refunding Project) with a maturity date of March 1, 2012 outstanding (the "1992 Certificates of Participation"). Payment of the 1992 Certificates of Participation is secured by a first lien and pledge on the "Net Revenues" (which are essentially the same as Wastewater Revenues less Operations and Maintenance Costs). The trust agreement pursuant to which the 1992 Certificates of Participation were issued permits the issuance of additional bonds secured by Net Wastewater Revenues on a subordinate basis to the 1992 Certificates of Participation, if Net Revenues for the prior Fiscal Year less debt service on parity debt is equal to at least 100% of maximum annual debt service on the subordinate debt.

On March 1, 2012, when the 1992 Certificates of Participation are repaid, the Series 2009 Bonds will be secured by the Net Wastewater Revenues in a first senior lien position.

No Additional Senior Lien Obligations. The City covenants under the Installment Sale Agreement that it will not incur any additional obligations pursuant to the terms of the 1992 Installment Sale Agreement that are secured by a pledge and lien on the Net Wastewater Revenues that is senior to the pledge of the Net Wastewater Revenues with respect to the Series 2009 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt."

Outstanding Parity Obligations. In 2005, the Authority issued $17,635,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2005 (the "Series

2005 Bonds"), all of which is currently Outstanding. All of the components of the 2005 Wastewater Project were substantially completed and installed in October 2007. See "THE WASTEWATER SYSTEM–Facilities–*Completion of the 2005 Wastewater Project.*"

The City may at any time issue obligations to fund improvements to the Wastewater System that are payable from and secured by a pledge of Wastewater Revenues that is on a parity with the pledge of and lien on the Wastewater Revenues as provided in the Installment Sale Agreement, if the Net Wastewater Revenues for the most recent audited Fiscal Year preceding the issuance of such obligations is equal to at least 125% of Maximum Annual Debt Service on all Outstanding parity obligations and the obligations to be issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Parity Debt."

Subordinate Obligations. The City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of Net Wastewater Revenues, provided that such pledge and lien is subordinate in all respects to the pledge of and lien on the Wastewater Revenues as provided in the Installment Sale Agreement.

THE SERIES 2009 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, CONSISTING PRIMARILY OF INSTALLMENT PAYMENTS AND ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE OR LIEN UPON, ANY PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF YOLO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2009 BONDS. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION PAYABLE SOLELY FROM NET WASTEWATER REVENUES AND CERTAIN OTHER LEGALLY AVAILABLE FUNDS AS PROVIDED IN THE INSTALLMENT SALE AGREEMENT AND DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE CITY FOR WHICH IT IS OBLIGATED TO LEVY OR PLEDGE, OR FOR WHICH IT HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE SERIES 2009 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Reserve Fund

The Trust Agreement establishes a Reserve Fund, which is required to be funded in an amount equal to the Reserve Fund Requirement, which is, as of any date of calculation, the sum of the reserve amounts determined separately with respect to each Series of Bonds Outstanding, which reserve amount is equal to the least of: (i) Maximum Annual Debt Service in any Bond Year on all Bonds of such Series Outstanding, (ii) 125% of average annual Debt Service in any Bond Year on all Bonds of such Series Outstanding, and (iii) 10% of the original principal amount of such Series of Bonds. The Trust Agreement permits the City to satisfy the reserve amount funding requirement for the Series of Bonds by delivering to the Trustee a surety bond or letter of credit (a "Reserve Facility") securing the reserve amount for such Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Fund."

On the date of delivery of the Series 2009 Bonds, proceeds in the amount of $_______ will be deposited into the common Reserve Fund, which amount is equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Fund."

Bondowners' Risks

An investment in the Series 2009 Bonds involves risk. See "BONDOWNERS' RISKS" for a discussion of important investment considerations and other risk factors associated with the purchase of the Series 2009 Bonds. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the Series 2009 Bonds or the ability of the City to make Installment Payments. Potential purchasers of the Series 2009 Bonds are advised to review the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances.

Continuing Disclosure

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2009 Bonds or to any decision to purchase, hold or sell the Series 2009 Bonds, and the Authority will not provide any such information. The City has undertaken all responsibilities of the Authority for any continuing disclosure to Holders of the Series 2009 Bonds. The City covenants for the benefit of Holders of the Series 2009 Bonds and beneficial owners to provide certain financial information and operating data relating to the City and the Water System by not later seven months after the end of the City's Fiscal Year, commencing with the Report for the 2008-09 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by means of the Electronic Municipal Market Access ("EMMA") site maintained by the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX D–"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City has not failed in any material respect to file its Annual Reports in the last five years.

Additional Information

This Official Statement contains brief descriptions of the Series 2009 Bonds, the security for the Series 2009 Bonds, the Trust Agreement, the Installment Sale Agreement, the Authority, the City, the Wastewater System and certain other information relevant to the issuance of the Series 2009 Bonds. All references herein to the Trust Agreement are qualified in their entirety by reference to the complete text thereof and all references to the Series 2009 Bonds are further qualified by reference to the form thereof contained in the Trust Agreement. The proposed form of legal opinion of Bond Counsel for the Series 2009 Bonds is set forth in APPENDIX D. All capitalized terms used in this Official Statement, unless noted otherwise, shall have the same meanings as set forth in the Trust Agreement. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–DEFINITIONS." The information set forth herein and in the Appendices hereto has been furnished by the City and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the City. Copies of documents referred to herein and information concerning the Series 2009 Bonds are available upon written request from the Finance Director of the City, City Hall, 300 First Street, Woodland, California 95695; telephone: 530-661-5800. The City may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

General

The Series 2009 Bonds are being issued to: (i) finance the costs of acquiring, constructing and installing the 2009 Wastewater Project; (ii) make a deposit into the Reserve Fund established for the Bonds under the Trust Agreement in the amount of the Reserve Requirement; and (iii) pay certain costs associated with the issuance of the Series 2009 Bonds. The improvements to be acquired and constructed with the proceeds of the Series 2009 Bonds are described under "THE 2009 WASTEWATER PROJECT." See also, "THE WASTEWATER SYSTEM–Financial Information."

2009 Wastewater Project

The estimated cost of the 2009 Wastewater Project is $____ million. The components of the 2009 Wastewater Project are described below:

Water Pollution Equipment Replacement. This component of the 2009 Wastewater Project is expected to cost $4,261,000 and consists of replacing: (i) cloth filters and other equipment necessary to meet and maintain the WPCF discharge limits for turbidity and function of the ultraviolet tertiary treatment facilities; (ii) seven screw pumps; (iii) rotors and ancillary equipment in one of the oxidation ditches; and (iv) a headworks trash compactor to control odor and standardize equipment throughout the WPCF.

Sewer Line Rehabilitation. This component of the 2009 Wastewater Project consists of repairing approximately 7,000 feet of 36- inch and 48 inch reinforced concrete sewer line and approximately 3,000 feet of sewer lines throughout the City. The estimated cost for this component is $4,400,000.

Sewer Trunk Line Replacement. This component of the 2009 Wastewater Project consists of replacing approximately 4,000 feet of 48-inch reinforced concrete trunk lines at an estimated cost of $1,000,000.

Sludge Drying Pond Conversion. This component of the 2009 Wastewater Project is expected to cost $900,000 and consists of removing sludge from the North Ponds for conversion into a [capacity] storm drainage facility.

Construction Schedule. The City expects to award contracts in ____ to the contractor submitting the lowest responsive bid. Construction and installation of the 2009 Wastewater Project is expected to commence in ___________ with substantial completion expected in _________.

Table 1
City of Woodland
Estimated Costs and Sources of Funds for the 2009 Wastewater Project[(1)]

Components	Estimated Cost
Sewer Line Rehabilitation	$4,400,000
Water Pollution Equipment Replacement	4,261,000
Sewer Trunk Line Repairs	1,000,000
Sludge Drying Pont Conversion	900,000
Construction Management	______
Engineering and Other Professional Services	______
Contingencies	______
TOTAL	$_________

(1) Costs are estimated based upon the ____________.
(2) See "–Lease of Portions of the Wastewater System."
Source: City of Woodland.

Environmental and Other Approvals. Projects undertaken by the City, including the 2009 Wastewater Project, are generally subject to the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code) ("CEQA"). Under CEQA, a public agency is required, following preparation of an initial assessment, to determine whether an environmental impact report (an "EIR"), a negative declaration or a mitigated negative declaration is required for a project. If there is substantial evidence that significant environmental effects may occur, an EIR is required to be prepared.

The City Planning Department adopted findings determining that the 2009 Wastewater Project consists of: (i) repair, maintenance or minor alteration of existing public structures involving no expansion of use beyond that previously existing, or (ii) minor alterations in the condition of land, water and/or vegetation which are exempt from review under CEQA guidelines. All other land use approvals necessary to proceed with the 2009 Wastewater Project have been obtained or are expected to be received in due course.

THE SERIES 2009 BONDS

Description

The Series 2009 Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Installment Payments to be made by the City to the Authority pursuant to the terms of the Installment Sale Agreement.

The Series 2009 Bonds will be issued in fully registered form, in denominations of $5,000 each or any integral multiple thereof within a single maturity. The Series 2009 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2009 Bonds. Individual purchases will be made in book-entry only form. Purchasers will not receive physical certificates representing their beneficial ownership interest in the Series 2009 Bonds. So long as the Series 2009 Bonds are registered in the name of the nominee, payment of principal of, premium, if any, and interest on the Series 2009 Bonds will be payable to DTC or its nominee. DTC in turn will remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2009 Bonds will be dated the date of delivery, and will mature on the dates and in the principal amounts and will bear interest at the rates per annum set forth on the cover page of the Official Statement. Interest on the Series 2009 Bonds will be payable on March 1 and September 1 each year (each an "Interest Payment Date"), commencing March 1, 2010. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Designation of Taxable 2009B Bonds as Build America Bonds

Depending upon market conditions at the time of pricing, all or a portion of the Taxable 2009B Bonds may be issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 (the "Recovery Act). The Authority expects to receive a cash subsidy from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on the Taxable 2009B Bonds on or about each Interest Payment Date. The cash payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the Authority will be deposited in the Wastewater Revenue Fund and constitute "Wastewater Revenues," as defined in the Installment Sale Agreement. The Authority is obligated to make all payments of principal of and interest on the Taxable 2009B Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act. If market conditions do not favor the issuance of the Taxable 2009B Bonds as Build America Bonds, the amount of the tax-exempt 2009A Bonds will be increased by an amount approximately equal to the amount of the proposed Taxable 2009B Bonds.

Purpose

For a description of the purpose of the Series 2009 Bonds, see "PLAN OF FINANCE–2009 Wastewater Project."

Redemption Provisions

Optional Redemption. The Series 2009 Bonds are subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the City, from moneys deposited by the Authority or the City from any source of available funds, as a whole or in part (in such maturities specified by the City and by lot within a maturity), on any date on or after March 1, 20__ at a redemption price equal to 100% of the principal amount of Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

Mandatory Sinking Account Redemption. The Series 2009 Bonds maturing on March 1, 20__ (the "20__ Term Bonds"), are subject to mandatory sinking fund redemption prior to their stated maturity, in part, by lot, from amounts on deposit in the 20__ Term Bonds Sinking Account at a redemption price equal to the principal amount of the 20__ Term Bonds plus accrued and unpaid interest on to the date fixed for redemption, without premium, on March 1 in the years and in the amounts specified below:

20__ Term Bonds

Year	Amount

† Maturity.

Extraordinary Redemption Due to Casualty Loss or Governmental Taking. The Series 2009 Bonds are subject to redemption prior to maturity as a whole on any date or in part (in the maturities specified by the City and by lot within a maturity) on any Interest Payment Date, from prepaid Installment Payments made by the City from funds received due to a casualty loss, material title defect, or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms set forth in the Trust Agreement and the Installment Sale Agreement, at a redemption price equal to the principal amount of the Series 2009 Bonds to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption, without premium. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–INSTALLMENT SALE AGREEMENT–Particular Covenants of the City–Insurance; Application of Net Proceeds," and "–Eminent Domain Proceeds."

Notice of Redemption. When redemption is required, the Trustee shall give notice of redemption by first class mail to each Owner at the address appearing on the records of the Trustee, the Securities Depositories and the Information Services. Notice of redemption to the Securities Depositories will be given by registered or overnight mail not fewer than 30 nor more than 60 days before the redemption date. So long as Cede & Co., as nominee of DTC, continues to be the registered owner of the Series 2009 Bonds, any notices of redemption will be given only to Cede & Co., as nominee of DTC, and not to DTC, DTC Participants or Beneficial Owners. See APPENDIX F–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." Notices of redemption are required to specify: (i) the Series 2009 Bonds or designated portions thereof which are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of the Trustee, (iv) the redemption price, (v) the CUSIP numbers (if any) assigned to the Series 2009 Bonds to be redeemed, (vi) if less than all Bonds within a series are to be redeemed, the Series 2009 Bond numbers of the Series 2009 Bonds to be redeemed, and (vii) the original issue date of each Series 2009 Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable.

Failure to receive any Redemption Notice shall not affect the sufficiency or validity of the redemption or the cessation of interest as of the redemption date. Neither the City nor the Trustee shall have responsibility for a defect in the CUSIP number appearing on a Bond or in the Redemption Notice.

Selection of Series 2009 Bonds for Redemption. If less than all of the Series 2009 Bonds are to be redeemed at any one time, the City will select the maturities of the Series 2009 Bonds to be redeemed in its sole and absolute discretion.

Effect of Redemption. If notice of redemption is given as provided in the Trust Agreement and the amount necessary for the payment of the redemption price is held by the Trustee, then the Series 2009 Bonds, or portion thereof, designated for redemption shall become due and payable at the redemption prices thereof and interest thereon shall cease to accrue.

DEBT SERVICE SCHEDULE

The following table shows scheduled semiannual debt service on the Series 2009 Bonds, without regard to any optional redemption. See also Table 3–"Estimated Debt Service Coverage."

Table 2
Debt Service Schedule

Payment Date	Senior Lien Obligation[1]	Series 2005 Bonds Debt Service[2]	Series 2009A Bonds Principal	Series 2009A Bonds Interest	Series 2009A Bonds Total	Taxable Series 2009B Bonds Principal	Taxable Series 2009B Bonds Interest	Taxable Series 2009B Bonds Total	Total Fiscal Year Debt Service
09/01/08	$91,712.50	$422,483.75							
03/01/09	821,712.50	422,483.75							
09/01/09	70,725.00	422,483.75							
03/01/10	840,725.00	422,483.75							
09/01/10	48,587.50	422,483.75							
03/01/11	868,587.50	422,483.75							
09/01/11	25,012.50	422,483.75							
03/01/12	895,012.50	422,483.75							
09/01/12	–	422,483.75							
03/01/13	–	752,483.75							
09/01/13	–	416,213.75							
03/01/14	–	756,213.75							
09/01/14	–	409,626.25							
03/01/15	–	759,626.25							
09/01/15	–	402,626.25							
03/01/16	–	767,626.25							
09/01/16	–	395,326.25							
03/01/17	–	775,326.25							
09/01/17	–	387,536.25							
03/01/18	–	782,536.25							
09/01/18	–	379,241.25							
03/01/19	–	799,241.25							
09/01/19	–	370,316.25							
03/01/20	–	805,316.25							
09/01/20	–	360,855.00							
03/01/21	–	810,855.00							
09/01/21	–	350,955.00							
03/01/22	–	815,955.00							
09/01/22	–	340,492.50							
03/01/23	–	830,492.50							
09/01/23	–	329,345.00							
03/01/24	–	844,345.00							
09/01/24	–	317,500.00							
03/01/25	–	857,500.00							
09/01/25	–	304,000.00							
03/01/26	–	864,000.00							
09/01/26	–	290,000.00							
03/01/27	–	880,000.00							
09/01/27	–	275,250.00							
03/01/28	–	895,250.00							
09/01/28	–	259,750.00							
03/01/29	–	914,750.00							
09/01/29	–	243,375.00							
03/01/30	–	933,375.00							
09/01/30	–	226,125.00							
03/01/31	–	941,125.00							
09/01/31	–	208,250.00							
03/01/32	–	958,250.00							
09/01/32	–	189,500.00							
03/01/33	–	2,594,500.00							
09/01/33	–	129,375.00							
03/01/34	–	2,654,375.00							
09/01/34	–	66,250.00							
03/01/35	–	2,716,250.00							
TOTAL	$3,662,075.00	$35,163,655.00	$__,___,000*						

(1) Represents debt service on the Outstanding Senior Lien Obligations. See "INTRODUCTION–Security and Sources of Payment for the Bonds–*Outstanding First Senior Lien Obligations*."

(2) Represents debt service on the Outstanding Series 2005 Bonds that are payable from Revenues on a parity with the Series 2009 Bonds. See "INTRODUCTION–Security and Sources of Payment for the Bonds–*Outstanding Parity Obligations.*"

* Preliminary, subject to change.

Estimated Debt Service Coverage

Table 2 sets forth estimated annual debt service for the Series 2009 Bonds and Series 2005 Bonds, based on scheduled payments of principal of and interest on the Second Lien Parity Bonds.

Table 3
Woodland Finance Authority
Estimated Debt Service Coverage
Fiscal Years 2009-10 through 2013-14

Fiscal Year	A. Total Debt Service[(1)]	B. Estimated Available Revenues[(2)]	C. Estimated Debt Service Coverage[(3)]
2009-10			
2010-11			
2011-12			
2012-13			
2013-14			
TOTAL			

(1) Represents debt service on the Series 2005 Bonds and the Series 2009 Bonds at an estimated average interest rate equal to ___%.
(2) Represents Net Wastewater Revenues of the City available to make the Series 2005 Installment Payments and the Installment Payments under the Installment Sale Agreement.
(3) Average estimated debt service coverage for the five Fiscal Years.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Series 2009 Bonds are limited obligations of the Authority payable solely from the Revenues and other assets pledged under the Trust Agreement. The term “Revenues” is defined in the Trust Agreement to mean all Installment Payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund established under the Trust Agreement).

The obligation of the City to make the Installment Payments from Net Wastewater Revenues is absolute and unconditional and until the Series 2009 Bonds are paid in full, may not be abated, discontinued or suspended whether or not the 2009 Wastewater Project or any part thereof is operating or operable or has been completed, or its use suspended, interfered with, reduced or curtailed or terminated in whole or in part. The payments made by the City under the Installment Sale Agreement are scheduled in both time and amount to provide sufficient funds to pay, when due, the principal of and interest on the Series 2009 Bonds. **No funds or properties of the City, other than the Net Wastewater Revenues, are pledged to pay the Installment Payments.**

Rate Covenant; Collection of Rates and Charges

In the Installment Sale Agreement the City covenants to fix, prescribe and collect rates and charges for the Wastewater Service during each Fiscal Year that will be at least sufficient to yield: (a) Net Wastewater Revenues (defined in the Trust Agreement as Wastewater Revenues less Operations and Maintenance Costs) that, together with other revenues of the City (including special taxes and assessments not pledged to debt service on other obligations of the City) equal to 125% of Maximum Annual Debt Service payable on the Series 2009 Bonds and any senior or parity obligations and (b) any amounts necessary to replenish the Reserve Fund, the reserve fund established with respect to the 1992 Certificates of

Participation and the reserve fund established with respect to any parity obligations to the required amounts. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Wastewater Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

Deposit of Revenues; Funds and Accounts

Pursuant to the Installment Sale Agreement, the Authority transfers to the City and the City purchases from the Authority the 2009 Wastewater Project at a price equal to the aggregate principal amount of the Series 2009 Bonds, plus the interest to accrue on the unpaid balance thereof over the term of the Installment Sale Agreement. To secure payment to the Authority of the purchase price, the City pledges all Net Wastewater Revenues, the Wastewater Revenue Fund and the other amounts held in any fund or account established under the Installment Sale Agreement to the payment of the Installment Payments. **The pledge of Net Wastewater Revenues to secure the Installment Payments constitutes a second lien on such revenues, subordinate to the lien on Net Revenues of the 1992 Certificates of Participation.**

Pursuant to the Trust Agreement, the Authority irrevocably pledges to the payment of the Series 2009 Bonds all "Revenues" (consisting primarily of the Installment Payments), the Revenue Fund and the other amounts (including proceeds of the sale of the Series 2009 Bonds) held by the Trustee in any fund or account established under the Trust Agreement to the payment of interest on and principal of the Series 2009 Bonds.

So long as any Series 2009 Bonds are Outstanding, the Trustee is required to set aside the moneys in the Revenue Fund in the following respective funds or accounts (each of which is established, maintained and held in trust for the benefit of the Owners of the Series 2009 Bonds) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

First:	Interest Fund
Second:	Principal Fund
Third:	Redemption Fund
Fourth:	Reserve Fund
Fifth:	Rebate Fund

Interest Fund. On each Interest Payment Date, the Trustee will set aside in the Interest Fund an amount equal to the aggregate amount of interest becoming due and payable on the Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest due and payable on such Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of a series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

All money in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Fund. On each Principal Payment Date, the Trustee is required to deposit in the Principal Fund an amount equal to (a) the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds and (b) the aggregate principal amount of Bonds to be redeemed on such date from the respective Sinking Accounts for the Term Bonds.

No deposit need be made into the Principal Fund so long as there is in such fund: (i) moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on such Principal Payment Date *plus* (ii) the aggregate principal amount of all Term Bonds required to be redeemed on such Principal Payment Date, but *less* any amounts deposited into the Principal Fund during the preceding 12-month period and paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period. All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Account will be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided in the Trust Agreement.

Application of Redemption Fund. On the date specified in a Written Request of the City filed with the Trustee, at the time that any prepaid Installment Payment is paid to the Trustee, the Trustee is required to deposit in the Redemption Fund that amount of moneys representing the portion of the Installment Payments designated as prepaid Installment Payments. Moneys in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest and the redemption premiums, if any, on and principal of the Bonds to be redeemed.

Reserve Fund and Rebate Fund. Any moneys remaining in the Revenue Fund after the transfers described above are required to be deposited, in order of priority, into (i) the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, and (ii) the Rebate Fund if so directed by the Authority. Amounts not required to be so deposited will be transferred on the same Business Day to the City, except that any amounts representing delinquent Installment Payments will remain on deposit in the Revenue Fund. The City may use and apply any moneys when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth in the Trust Agreement and the purchase of Bonds as and when and at such prices as it may determine.

> "Net Wastewater Revenues" for any Fiscal Year is defined as Wastewater Revenues less Maintenance and Operation Costs.
>
> "Wastewater Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the City for the Wastewater Service and the other services of the Wastewater System and all other income and revenue howsoever derived by the City from the ownership or operation of the Wastewater System or arising from the Wastewater System (including developer impact fees for wastewater facilities), and also including (i) all income from the deposit or investment of any money in the Wastewater Revenue Fund and the Rate Stabilization Fund and (ii) deposits to the Wastewater Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in the Installment Sale Agreement and provided that amounts transferred from the Rate Stabilization Fund to the Wastewater Revenue Fund that were deposited in the Rate Stabilization Fund with respect to the Fiscal Year prior to such transfer are not be treated as Wastewater Revenues for purposes of determining the sufficiency of Net Wastewater Revenues in the issuance of additional bonds or compliance with the coverage test for rates and charges, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction. See "–Rate Covenant; Collection of Rates and Charges" and "–Rate Stabilization Fund."

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Trust Agreement or of any resolution authorizing the issuance of additional bonds, or of any resolution authorizing the execution of any trust agreement, indenture or contract secured by a pledge of Net Wastewater Revenues, such as compensation, reimbursement and indemnification of the trustee for any such trust agreement, indenture or contract and fees and expenses of Independent Certified Public Accountants and Independent Engineers, Insurance Consultants and the Finance Officer, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the City which are not reimbursements or payments for overhead or other administrative expenses incurred by the City.

The obligation of the City to make the Installment Payments is limited to Net Wastewater Revenues. The Installment Payments are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Wastewater Revenues. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Series 2009 Bonds. No tax or other sources of funds, other than the Net Wastewater Revenues, is pledged to pay Installment Payments.

Reserve Fund

Funding. Under the Trust Agreement, a Reserve Fund was established and is held by the Trustee and pledged to payment of the Bonds. On the date of delivery of the Series 2009 Bonds proceeds of the Series 2009 Bonds in the amount of $_____ will be deposited in the Reserve Fund, which amount [will bring the amount on deposit therein] equal to the Reserve Fund Requirement. "Reserve Fund Requirement" is defined in the Trust Agreement to mean, as of any date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service in any Bond Year on all Bonds Outstanding, (ii) 125% of average annual Debt Service in any Bond Year on all Bonds Outstanding, and (iii) 10% of the original principal amount of the Bonds.

Replenishment of the Reserve Fund. The Trustee is required under the Trust Agreement to deposit from Additional Payments received from the City pursuant to the Installment Sale Agreement as soon as possible in each month in the Reserve Fund, except as otherwise provided in the Trust Agreement, upon the occurrence of any deficiency therein, 1/12th of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund and 1/4 of the aggregate amount of any deficiency due to any required valuations of the investments in the Reserve Fund until the total of the cash balance in the Reserve Fund and the amount available under any Reserve Facility (described below) is at least equal to the Reserve Fund Requirement.

Reserve Facilities. The requirement to deposit the Reserve Fund Requirement for a Series of Bonds into the Reserve Fund may be satisfied with the acquisition of a letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee meeting the requirements of a "Reserve Facility" set forth in APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Funding and Application of Reserve Fund." Any letter of credit or so delivered must: (i) be irrevocable and issued by a financial institution having unsecured debt obligations rate in one of two highest Rating Categories of Moody's and Standard & Poor's; (ii) have a term of no less than three years, or if less, equal to the maturity of the Series 2009 Bonds; (iii) provide by its terms that it may be drawn upon as provided in the Trust Agreement; and (iv) be acceptable to the insurers of any Series of Bonds. Any insurance policy, surety bond, or other Reserve Facility deposited in the Reserve Fund must: (a) be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies or surety bonds) are rated in the highest Rating Categories of Moody's and Standard & Poor's and, if rated by A.M. Best & Company, be rated in the highest rating category of A.M. Best & Company; (b) have a term of no less than the maturity of the Series of Bonds in connection with which such Reserve Facility was obtained; and (c) be acceptable to the insurers of any Series of Bonds.

Use of Amounts in the Reserve Fund. All amounts in the Reserve Fund (including all amounts that may be obtained from Reserve Facilities on therein) will be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, or for the payment or redemption of all Bonds then Outstanding or for the payment of the final principal and interest payment with respect to a Series of Bonds if following such payment the amounts in the Reserve Fund (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Reserve Fund Requirement. In such event, the Trustee will first draw on the portion of the Reserve Fund held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal of and interest on the Bonds when due.

Transfer of Excess Amounts. Any amounts in the Reserve Fund in excess of the Reserve Fund Requirement (as calculated by the City) will be transferred by the Trustee to the City on the last Business Day of March and September of each year; provided that such amounts shall be transferred only from the portion of the Reserve Fund held in the form of cash or Permitted Investments and further provided that the City is not then in default under the Installment Sale Agreement.

Rate Stabilization Fund

The City may, but is not required to, establish a Rate Stabilization Fund which is held and maintained by the City. From time to time the City may deposit therein from Net Wastewater Revenues such amounts as the City determines are not needed to make Installment Payments, provided that deposits for each Fiscal Year may be made until (but not after) 120 days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Wastewater Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 120 days following the end of such Fiscal Year. All interest or other earnings on deposits in the Rate Stabilization Fund will be withdrawn therefrom and accounted for as Wastewater Revenues. *[Description of Current Funding Status]*

Parity Debt

The City may at any time issue obligations to fund improvements to the Wastewater System that are payable from and secured by a pledge of Net Wastewater Revenues that is on a parity with the pledge of and lien on the Net Wastewater Revenues as provided in the Installment Sale Agreement, if the Net Wastewater Revenues for a period of 12 consecutive months during the 18 months preceding the issuance of such obligations (the "measurement period") equal at least 125% of Maximum Annual Debt Service on all Outstanding parity obligations and the obligations to be issued. In calculating debt service coverage for this purpose:

(i) If rates and charges in effect on the date upon which the parity obligations will become Outstanding will be greater than those in effect during the measurement period, then the Net Wastewater Revenues for said Fiscal Year may be augmented by the estimated increase in Net Wastewater Revenues computed to accrue to the Wastewater System in the first 12 months during which such rates and charges shall be in effect; and

(ii) Net Wastewater Revenues may be augmented by the projected increase in annual Net Wastewater Revenues to be provided by additional facilities under construction (financed from any source) or to be constructed with the proceeds of the parity obligations then being issued computed to accrue to the Wastewater System in the first 12 months during which such additional facilities are placed in operation.

The City may also issue parity obligations if such obligations are issued for the purpose of discharging or defeasing parity obligations then outstanding, if upon their issuance debt service on parity obligations outstanding in each future Fiscal Year following such discharge or defeasance would be less than or equal to such debt service for that Fiscal Year if such discharge or defeasance did not occur.

In addition, in all cases, the City is required to fund a reserve fund for the parity debt or deposit funds into the Reserve Fund in an amount equal to (i) the least of (A) Maximum Annual Debt Service on the parity debt to be issued, (B) 125% of average annual Debt Service on the parity debt to be issued, and (C) 10% of the initial proceeds of the parity debt to be issued, or (ii) such lesser amount that under then current law is the maximum amount that may be invested at an unrestricted yield without adversely affecting the exclusion from gross income for federal income tax purposes of the interest paid with respect to such parity debt and the Series 2009 Bonds.

[Financial Guaranty Insurance]

[As additional security for the Series 2009 Bonds, payment of the principal of and interest on the Series 2009 Bonds when due will be insured by a financial guaranty insurance policy to be issued by the Bond Insurer simultaneously with the delivery of the Series 2009 Bonds. See "FINANCIAL GUARANTY INSURANCE" and APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."]

Default

If the City defaults under the Installment Sale Agreement, the Authority is required, in the event of a default in the due and punctual payment of any Installment Payment and may, in the event of any other default, declare the entire principal amount of the unpaid Installment Payments and accrued interest thereon to be due and payable immediately. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–INSTALLMENT SALE AGREEMENT–Installment Sale Agreement–Defaults; Acceleration Maturities." See "CERTAIN RISK FACTORS–Limitations on Exercise of Remedies" for a discussion on the limitations on the Trustee's ability to exercise certain remedies if the City defaults under the Installment Sale Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

Table 4 sets forth the estimated sources and uses of funds received from the sale of the Series 2009 Bonds:

Table 4
Estimated Sources and Uses of Funds

	Series 2009A Bonds	Taxable 2009B Bonds	Total
Sources of Funds:			
Series 2009 Bond Proceeds			
TOTAL ESTIMATED SOURCES			
Uses of Funds:			
Deposit to Series 2009 Improvement Fund(1)			
Deposit to Interest Account(2)			
Deposit to Reserve Account			
Costs of Issuance(3)			
TOTAL ESTIMATED USES OF FUNDS			

____
(1) See "THE 2009 WASTEWATER PROJECT."
(2) Represents capitalized interest on the Series 2009 Bonds through and until June _______.
(3) Includes Bond Counsel fees, Disclosure Counsel fees, Trustee fees, Financial Advisor fees, the Underwriter's discount, rating agency fees, printing costs and other costs of issuance. For a description of the Underwriter's discount, see "UNDERWRITING."
* Preliminary, subject to change.

[FINANCIAL GUARANTY INSURANCE]

[The following information has been furnished by ___________ (the "Bond Insurer") for use in this Official Statement. Reference is made to APPENDIX G for a specimen of the Financial Guaranty Insurance Policy to be issued by the Bond Insurer. The City makes no representations as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.]

[TO COME]

THE WASTEWATER SYSTEM

Overview

The Wastewater System is one of three utilities maintained and operated by the City's Public Works Department. The two other utilities are water and storm-water. The City is the exclusive provider for collection and transport for all municipal wastewater generated within the corporate limits of the City, serving an area of approximately 14.5 square miles and a population of approximately 56,399 as of January 1, 2009.

The Wastewater System is comprised of a collection system and water pollution control treatment and disposal facility (the "WPCF"). The WPCF is located on an approximately 400-acre site in the southeastern portion of the City at 42929 County Road 24. The current permitted capacities of the WPCF is 10.4 million gallons per day ("mgd") average dry weather flow and 15.6 mgd peak wet weather flow. For the location of the WPCF, see page v.

The City of Woodland, Public Works Department (the "Public Works Department") oversees the construction, maintenance, operation and repair of the equipment and facilities of the Wastewater System.

Service Area

The Wastewater System provides wastewater service within the City, including approximately 1,097 acres comprising the Spring Lake Specific Plan Area (the "Spring Lake Area" and collectively, the "Service Area") within the approximately 1,748 acre area south of the existing City limits (the "Master Plan Area") that were identified in the updated General Plan, adopted February 7, 1996, as the area in which future growth would occur. Development within the Spring Lake Area is expected to be comprised primarily of residential housing, consisting of 2,880 single-family and 1,171 multifamily units, and related commercial development and occur over a 10-year period. Upon full development of the Spring Lake Area the population of the City is expected to increase by approximately 11,270 residents, an approximately 15% increase over the current population estimate of 56,399 as of January 1, 2009. See also APPENDIX A–"GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY OF WOODLAND."

History

The City's first wastewater treatment facility was constructed in the early 1900's and consisted of a pond primary treatment facility located northwest of the WPCF. This facility accommodated the wastewater treatment needs of the City until the 1980's, when federal law required secondary treatment of wastewater and the California Regional Water Quality Control Board, Central Valley Region (the "RWQCB") began to impose increasingly strict discharge requirements.

The City constructed its first secondary treatment facility in 1988, with the original ponds being used for diverting peak effluent flows away from the WPCF. This WPCF facility had a permitted capacity of 5.4 mgd. In 1997, the WPCF was expanded to its current permitted capacity of 7.8 mgd on a monthly average daily flow basis during dry weather (May through October) with the construction and installation of an additional clarifier and other modifications.

Regulatory Matters

Wastewater treatment plants are required under State and federal law to meet various requirements for the operation, treatment, monitoring, maintenance and disposal and discharge of wastewater. These standards are set forth in National Pollution Discharge Elimination System (the "NPDES") permits issued and modified every five years by the RWQCB. The current NPDES permit for the WPCF was issued on February 5, 2009 (the "2009 Permit") and supersedes the prior permit issued on March 13, 2003 (the "2003 Permit"). The 2009 Permit prescribes the effluent, receiving water, groundwater and pond disposal limitations for the WPCF.

The 2009 Permit sets limits according to Title 22 requirements. The NPDES permit also requires several test and reports. The tests include a Chronic Toxicity Exam and Toxic Reduction Exam/Toxic Identification Exam to be collected and reported quarterly. Reports required by the new permit include; Biosolids handling study, to determine an appropriate method of biosolids disposal, Salinity study to determine the source of salinity loading on the WPCF, Selenium Study to determine the source of Selenium loading on the WPCF, and an ammonia study to control ammonia discharges from the WPCF.

Included with the issuance of the 2003 Permit, the RWQCB issued a Cease and Desist Order, as revised, (the "C&D Order") prohibiting the City from discharging wastewater with high concentrations of mercury and aluminum, requiring that the City oxidize, coagulate and filter its wastewater by providing tertiary treatment or its equivalent and complete and submit to the RWQCB certain monitoring reports by specified dates, and setting forth a schedule for the compliance with the C&D Order. The City submitted its compliance plan and time schedule to the RWQCB on October 31, 2003. Construction of the tertiary treatment facility was completed in October 2007 and the City is in full compliance with the C&D Order.

Facilities

Overview. Operation of the wastewater collection, treatment and disposal systems is a 24-hour, seven days a week, 365-day a year activity. During Fiscal Year 2007-08, an average of 6.2 mgd average dry weather flow of wastewater originating from residential, commercial, industrial and institutional customers within the Service Area was treated at the WPCF.

Collection System. The collection system consists of approximately 190 miles of sanitary sewer pipes with diameters ranging from six inches to 36 inches, including approximately 14,000 service laterals to customers. The existing collection system conveys all untreated municipal wastewater generated in the Service Area to the WPCF. Wastewater collected from portions of the southeastern area of the City flows by gravity to a lift station at County Road 102 and East Gibson Road and then by gravity flow to the WPCF. Wastewater from the remainder of the City flows by gravity to the WPCF. Wastewater that will be generated within the Spring Lake Area will flow by gravity to a force main pump station located on Farmers Central Road and Meikle Drive and then by gravity flow to the WPCF. The existing collection system conveys all wastewater generated in the Service Area to the WPCF for secondary treatment.

Completion of the 2005 Wastewater Project. The improvements financed with the proceeds of the Series 2005 Bonds, consisting of improvements to the headwords and oxidation ponds, addition of a fourth oxidation ditch, construction of a second 130-foot diameter secondary clarifier and modifications to an existing clarifier, construction of an influent filter pump station, installation of cloth media filters and an ultraviolet (UV) disinfection facility were substantially completed and installed in October 2007.

Wastewater Pollution Control Facility.

Description. The WPCF is located on an approximately 400 acre site east of the intersection of County Road 102 and East Gibson Road. The WPCF currently provides tertiary treatment of wastewater through three oxidation ditches using the activated sludge process, followed by treatment through secondary clarification and tertiary filtration. The effluent is disinfected with UV light before it is discharged into the Tule Canal, approximately four miles east of the WPCF. Three main trunk lines convey sewage to the headworks at the WPCF. The Erskine pond, west of the WPCF acts as an overflow basin. During wet weather, peak flows are diverted at the headworks facilities into Erskine pond, located west of the WPCF plant. Twelve south ponds are used for stabilization of waste sludge and nine north ponds provide additional flow storage during peak flow events. A brief summary of the treatment process is described forth below.

> Untreated wastewater flows from residential, commercial and industrial users are gathered by the regional collection system through the three sewer trunk lines located throughout the metropolitan area of the City. The flows are conveyed to the WPCF, which is equipped with an influent screw pump station that lifts sewage into the headworks. At the headworks the wastewater is screened for objects larger than one inch in diameter by mechanically cleaned bar screens prior to being sent to the clarifiers. The heavy, smaller inorganic materials, such as rock and sand are removed in grit chambers and these solids are collected and disposed of in a County sanitary landfill in accordance with applicable State and local regulations.
>
> The wastewater then receives secondary treatment using the “activated sludge process,” the most common form of secondary treatment in the United States. The activated sludge process is a biologically based system which utilizes the conventional organic contaminants in the primary effluent as a nutrient source for maintaining and developing a controlled population of microorganisms. The main structural components of the activated sludge system consist of aeration tanks, secondary clarifiers and chlorination/dechlorination facilities. In the four oxidation ditches,

the microorganisms come in contact with the primary effluent to "feed" on the contaminants. In the two secondary clarifiers, the wastewater flows radially from the center to the perimeter of the circular tanks during which time the force of gravity causes the majority of settleable solids, and a lesser amount of suspended solids to sink to the bottom of the clarifiers forming activated sludge. Activated sludge is continuously withdrawn from the bottom of the secondary clarifiers and returned to the aeration tanks to sustain the activated sludge process through conservation of the microorganism population. A prescribed amount of the activated sludge return flow is "wasted" to the one of the adjacent ponds for further biological breakdown and long-term stabilization.

The secondary effluent is then treated, chlorinated with gaseous chlorine in a contact chamber and then dechlorinated by the addition of gaseous sulfur dioxide. The final effluent is discharged into the Tule canal, located east of City limits. The waste sludge is pumped into stabilization ponds located on approximately 300 acres of the WPCF. Due to the virtually impervious nature of the clay soils in the ponds, a minimal amount of the water percolates into the water table with the majority evaporating naturally.

Tertiary Treatment. The construction of tertiary treatment facilities consisting of the construction and installation of three multi-stage filter pump station, an Aqua-Disc filtration system and an ultra violet ("UV") light disinfection system. The filter pump station, which consists of three multi-stage impeller pumps with a total pumping capacity of 19.5 mgd, to pump the secondary effluent under pressure through the Aqua Disc filtration system. The Aqua-Disc filtration system consists of four filter units; each equipped with 13 synthetic cloth filters to provide filtration of particles larger than 10 microns in the secondary effluent. A chemical mixing system will add a coagulant during the process to aid in the removal of a higher amount of solids during the filtration process.

The UV light disinfection system splits the filtered effluent into two channels to pass under the UV lamps for disinfection. The UV system includes a gantry system which was installed overhead of the UV system to allow removal of lamps for routine maintenance.

Flood Protection Improvements. In October 2007, the City raised the height of existing berms surrounding the WPCF plant and the Erskine overflow pond (located immediately west of the WPCF) by three to five feet to a typical 41 foot elevation to provide increased protection against 100-year flood events on the Cache Creek. The berms surrounding the north ponds, which are located at higher elevations than the WPCF plant were raised by one to two feet to a typical 34-foot elevation to provide flood protection against 100-year localized rainfall events.

Power Source. The WPCF purchases electrical energy power from Pacific Gas & Electric ("PG&E"). In order to satisfy State requirements that all wastewater treatment facilities have an alternate source of power, the City constructed a power generation facility (the "PGF") in the late 1990's that generates approximately 1,200 kilowatts of electricity for use by the WPCF. The PGF operates on diesel fuel as a primary fuel supply. The PGF currently has the capacity to provide approximately 100% of the power demand for the WPCF.

Seismicity

The WPCF, as is the City, is located in a zone 3 seismic area. Seismic zones aid in identifying and characterizing certain geological conditions and the risk of seismic damage at a particular location, and are used in establishing building codes to minimize seismic damage. The five seismic zones are: zone 0 (no measurable damage), zone 1 (minor damage), zone 2 (moderate damage), zone 3 (major damage) and zone 4 (major damage and greater proximity than zone 3 to certain major fault systems). The WPCF was designed to meet the applicable building code standards for this zone.

Insurance on the Wastewater System

In addition to the insurance required to be maintained on the 2009 Wastewater Project, the City also maintains insurance on the Wastewater System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Wastewater System as are usually covered in connection with wastewater systems similar to the Wastewater System. See also APPENDIX A–"GENERAL, ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION CONCERNING THE CITY OF WOODLAND–FINANCIAL INFORMATION–Risk Management."

Lease of Portions of the Wastewater System

In 2002, the City leased a portion of the Wastewater System to the Authority and subleased it back pursuant to lease arrangements under which the City makes rental payments to the Authority which secure the Authority's Lease Revenue Bonds (Refunding and 2002 Capital Projects) (the "Series 2002 Bonds").

One of the projects financed with a portion of the Series 2002 Bonds was the second stage of a planned three-stage expansion of the WPCF from an average dry weather flow capacity of 7.8 million mgd to the current 10.4 mgd.

The second stage of expansion included the design, construction and installation of an influent bar screen, a flow measuring flume, an oxidation ditch, a clarifier, basins, pumps, and pipelines; the expansion of maintenance buildings and the relocation of wells. Proceeds from the issuance of the Series 2002 Bonds in the amount of $16,000,000 were allocated to the construction of this project. Construction of this project, together with the 2005 Wastewater Project, were completed in October 2007. See also "–Regulatory Matters."

No Wastewater Revenues are pledged to repayment of the Series 2002 Bonds. The Series 2002 Bonds are payable solely from lease payments made with respect thereto from legally available funds of the City.

The lease with respect to the Series 2002 Bonds provides that the trustee has the right to exercise all remedies available at law or granted pursuant to the lease in the event of a default in lease payments, including, but not limited to, the right to take possession of the portions of the Wastewater System leased thereunder. No assurance can be given that a court would not enforce these remedies or other remedies which may be available at law. However, the City believes that under all circumstances the City would maintain a functional Wastewater System and continue to collect rates and charges with respect thereto.

Under the lease relating to the Series 2002 Bonds, the City is required to maintain hazard insurance with respect to the Wastewater System, with the proceeds thereof pledged to pay the Series 2002 Bonds. In addition, proceeds of condemnation awards are required to be paid to the trustee. Therefore, any such insurance or condemnation proceeds would not be available to the Owners of the Series 2005 Bonds while the 2002 Bonds are outstanding.

Master Planning for the Wastewater System

Overview. The General Plan of the City, adopted in 2002 (the "General Plan") prescribes the comprehensive and long-term plan for land use and development within the City. The General Plan identifies the Master Plan Area as that in which future growth would occur. As a result of this anticipated growth and in accordance with the General Plan, the City prepared a Wastewater Collection System Master Plan (January 2000) and a 2005 Wastewater Treatment Plan to identify capital facilities, disposal options and the associated costs and necessary implementation schedule to meet the current and future Wastewater System needs of the City.

Major Project Financing Plan Fees. The City adopted Major Project Financing Plan, as revised (the "MPFP") and related fees (the "MPFP Fees") on July 26, 2005 to fund projects that provide a Citywide benefit, such as roadways, water supply wells, sewer and wastewater improvements and other infrastructure projects. The MPFP Fees are updated periodically, most recently on December 17, 2008, and are charged to new development within the City to fund the costs to expand and upgrade such infrastructure to accommodate the development. As part of the MPFP Fees, a sewer development fee component (a "Development Fee") in the current amount of $5,210 per equivalent dwelling unit (an "EDU") is imposed.

The costs to implement the projects in the MPFP are allocated between new development and the existing City funding requirements. New development is generally charged for the cost of new or expanded facilities needed to accommodate new growth. The existing City funding requirements, those that are not attributable to growth, include, maintenance and repair projects, and enhancements required to meet new code or regulatory requirements. Funding for projects that serve both new and existing users (*i.e.* the tertiary treatment component of the 2005 Wastewater Project) was based on the percentage allocation between the new and existing service capability. The tertiary treatment facility was constructed to accommodate the full 10.4 mgd expanded plant. The current flows at the WPCF are approximately 6.5 mgd (representing approximately 63% of the ultimate 10.4 mgd capacity), therefore, approximately 63% of the costs associated with this component of the 2005 Wastewater Project were allocated to existing users through the rate base, and the remaining approximately 37% was allocated to future users through the Development Fee.

In April 2002, the City Council adopted an Ordinance, as amended on June 1, 2004 (the "BUA Ordinance"), requiring the timed release of building unit allocations (a "BUA") for the aggregate 2,579 single-family market rate homes approved for development in the Spring Lake Area. The BUA Ordinance established three release dates of BUAs to manage growth in conformance with the General Plan: October 2004, June 30, 2007 and between June 30, 2011 and June 30, 2015. Pursuant to the BUA Ordinance, any BUAs that remain unissued in any Fiscal Year may be carried over to the following Fiscal Year. Table 4 below summarizes the number of building permits per BUA release authorized and expected to be issued through 2015 when full buildout of the Master Plan Area is expected to be completed. Therefore, the collection of the Development Fees will be subject to the pace of development within the Spring Lake Area. See also "–Rates, Fees and Charges."

Table 5
City of Woodland
Schedule of Building Permits to be Issued in the Spring Lake Area

	Maximum Building Permits Per BUA Release		Estimated Development Fee Revenue
Fiscal Year	No. Authorized	Estimated No. Issued	($ in 000's)
2009-10	882	62	$302,180
2010-11	445	74	430,450
2011-12	–	140	878,118
2012-13	–	223	1,354,579
2013-14	–	286	1,714,123
TOTAL	1,337	785	4,679,450

Source: City of Woodland.

Capital Budget. The Capital Budget of the City is adopted separately from the annual operating budgets adopted by the City Council. The Capital Budget for Fiscal Year 2009-10 was approved by the City Council on June 16, 2009 and includes approximately $26.8 million for ____________.

Organization and Management of the Wastewater System

Overview. The Wastewater System is operated by the City as an enterprise fund under the authority of the City Council. Operations of the Wastewater System are under the supervision of the Public Works Department. The Public Works Department is administered by the Department Director who provides management oversight support and direction for all operations, including coordination and evaluation of programs undertaken by Public Works and preparation and monitoring of operating and capital budgets. The Public Works Department consists of approximately 105 full time equivalent employees ("FTEs") of which 24.1 FTEs are assigned to the Operations and Maintenance Division that operates and maintains the Wastewater System.

The Operations and Maintenance Division includes the Infrastructure O&M/Utilities Branch, the Environmental Operations Branch, Infrastructure Engineering/Utilities Branch. The Infrastructure O&M/Utilities Branch (10.4 FTEs) is responsible for the operation and maintenance of the collection system of the Wastewater System. The Environmental Operations Branch (12 FTEs) is responsible for the operation and maintenance of the WPCF and the Wastewater Industrial Pollution Prevention (the "WIPP"). The Infrastructure Engineering/Utilities Branch (1.61 FTEs) is responsible for master planning of utility systems, development of capital program requirements, and operational engineering support for the City's utilities.

Health and Retirement Benefits. The City provides health and retirement benefits to all full-time employees of the Wastewater System, the costs of which are reflected in its operating budgets. Retirement benefits are provided through a contract with the California Public Employees' Retirement System. See also "–Revenues, Expenses and Debt Service Coverage" and APPENDIX A–"GENERAL, ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION CONCERNING THE CITY OF WOODLAND–FINANCIAL INFORMATION–Retirement Programs."

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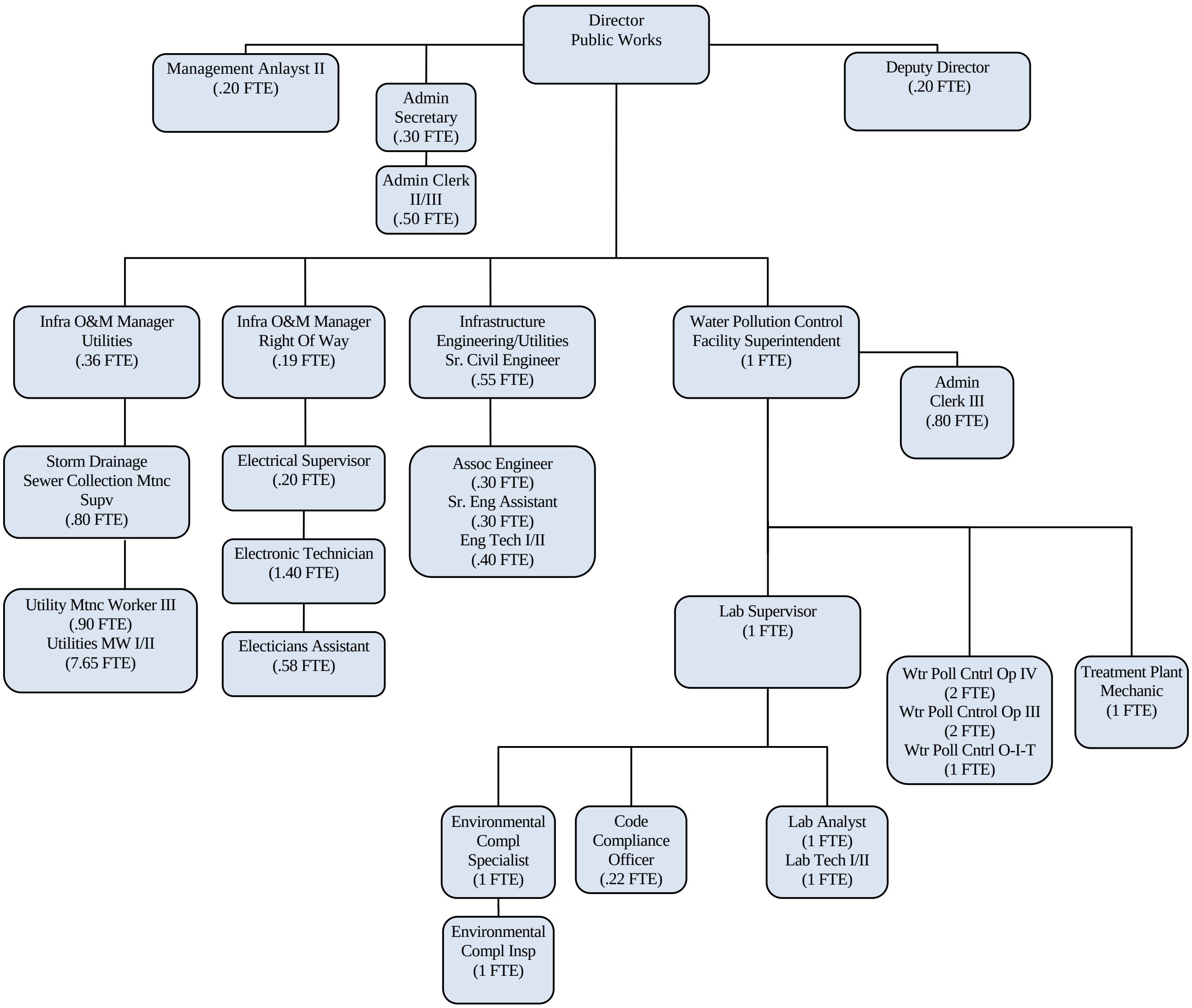
Public Works Department - Operations and Maintenance Division
Branches and Positions Related to the Wastewater System



Brief resumes for the Senior Management of the Public Works Department are set forth below:

Gregor G. Meyer, Director. Mr. Meyer is the Director of Public Works for the City and is responsible for the direction, management and supervision of the seven Divisions, comprised of 14 workgroups and 38 budgeted programs, that comprise the Public Works Department, three staff, not including the interns and part-time/temporary staff which can reach as many as 30 at any one time. Within those seven Divisions there are 14 groups and 38 budgeted programs over which the Public Works Director is responsible, with nine budgeted programs directly reporting to the Director and indirect supervision over all staff assigned to the Department of Public Works. Mr. Meyer has the unique advantage as a Director in that he has worked in almost every Division over which he is responsible. Mr. Meyer started his public service management career first as a Maintenance Worker in the Street and Sewer Maintenance Division with the City of Watsonville, moving to an Assistant to the City Manger in the City of Salinas in June 1989 then to Superintendent of Public Works, Operations and Development Manager, to Deputy Director of Public Works for the City and finally to his current position. He has a Bachelor's Degree in Business Management. Mr. Meyer is a presenter at international, national, and regional professional organizations on leadership and technical subjects, a certified trainer in several interpersonal communication, leadership, and technological arenas, and the author of "*Working in Toxic Atmospheres*."

Dick Donnelly, P.E., Deputy Director of Public Works. Mr. Donnelly was appointed Deputy Director of Public Works in 2009. He is responsible for managing the Davis-Woodland Water Supply Project (an approximately $325 million surface water project) and leading the newly formed joint powers agency formed to undertake this project. From 2001 to 2009 he served as Deputy Director of Public Works, Engineering/City Engineer. Prior to that, he worked for four years as an engineer/manager in various positions of responsible charge in Air Force base infrastructure maintenance, repair, design, and construction. He was commissioned as an officer in the United States Air Force in 1983 and served on active duty in various base engineering and maintenance positions. He is currently in the Air Force Reserve. Mr. Donnelly has a Bachelor of Science degree in Civil Engineering Technology from the Oregon Institute of Technology and a Masters of Science in Project and Systems Management from Golden Gate University.

Douglas Baxter, P.E., Principal Civil Engineer. Mr. Baxter was appointed Principal Civil Engineer in 2009. He is responsible for managing the Utility Engineering division of the Public Works Department, which provides engineering support to in-house maintenance staff; overseeing $25 million in Capital Improvement Projects currently in the construction phase; and design of master plans and studies for water, sewer and storm drain infrastructure. He joined the City in September 2003 as the Senior Civil Engineer for Infrastructure Engineering/Utilities Branch in the Public Works Department. From February 2005 through ___ he served as Acting Deputy Director of Public Works, Operations and Maintenance in February 2005. Mr. Baxter has both a Bachelor of Science and a Master of Science degree in Civil Engineering from Brigham Young University and is a registered professional engineer in the State. For the 23 years prior to joining the City, Mr. Baxter was employed as a State Office Engineer for the United States Department of Agriculture (Rural Development) where he was responsible for the feasibility reviews of water and wastewater treatment and collection projects that averaged $40 million in construction cost per year.

Mark A. Hierholzer, Chief Plant Operator. Mr. Hierholzer has worked for the City since 2004. As the WPCF Superintendent he is responsible for management of operations, laboratory and pretreatment staff. From 2004 through June 2009, Mr. Hierholzer served as the Chief Plant Operator of the WPCF. Prior to joining the City, Mr. Hierholzer worked for HydroScience Operations as a plant supervisor of a microfiltration wastewater treatment plant, and for the University of California, Davis as the lead wastewater operator in the campus wastewater treatment plant. Mr. Hierholzer holds an Associate degree in Applied Science-Ecological Controls from the Community College of the Air Force and has completed various wastewater treatment and management courses. Mr. Hierholzer also served in the United States Air Force where he worked as a water plant and wastewater plant operator and supervisor from 1984 to 1994.

WASTEWATER SYSTEM FINANCES

Rate Setting, Billing and Collection Procedures

Users of the Wastewater System who are connected to the City's water system are billed separately for sewer service and water service, on a combined bill, by the City's Finance Department. The fee for either service may not be paid separately from the other. Users of the Wastewater System who are not connected to the City's water system are billed for sewer service only.

Rate Setting Procedure. In accordance with California law, the City Council may, from time to time and at its discretion, fix, alter, change, amend or revise any user fees, connection charges and all other fees related to the Wastewater System. No other governmental authority, board, body or commission has jurisdiction over or is required to approve the Wastewater System rates established by the City Council. See, however "CERTAIN RISKS TO BONDHOLDERS–Right to Vote on Taxes Initiative."

In general, the method of establishing Wastewater System rates and charges is a three-step process: the *first* consists of estimating the annual costs of operating and maintaining the Wastewater System, including, administrative overhead, debt service requirements on sewer revenue bonds issued to finance any element of the Wastewater System and an allowance for future capital outlays for replacement of facilities and equipment; the *second* is allocating the annual monetary requirements to residential units and various types of commercial and industrial users; and the *third* is determining the customers of each type and, based upon the revenues needed, determining sewer service charges for each category of customer.

Residential customers, representing approximately 94% of the accounts, are charged at a flat rate. For other customers, sewer service charges are based on the volume of the wastewater discharged by each such user. All non-residential users of the Wastewater System are charged a flat rate based upon classification plus a charge per hundred cubic feet ("CCF") based upon the amount of flow and solids which they discharge into the Wastewater System. Sewage flow and solids are determined based upon the classification of the user, primarily the "rate of return" of water to the Wastewater System and the expected water generated by the type of uses, both as determined by the City.

Billing Procedure. Bills are issued monthly and are due and payable within 15 days of the billing date. Section 23C-2-6(f) of the City Code provides that in the event any bill for both water service and Wastewater Service remains unpaid for 30 days after its due date, the account is deemed delinquent and service may be terminated within 10 days following the mailing of the notice of delinquency. Premises disconnected for the non-payment of water or Sewer Service fees are not reconnected until all delinquent fees and penalties are paid. Enforcement effectively takes place at the time of the next billing cycle.

Rates, Fees and Charges

Wastewater Revenues are derived from three sources: (i) monthly service charges and pretreatment charges imposed billed and collected by the City; (ii) Development Fees; and (iii) other miscellaneous charges, including interest income.

Service Charges. Customers of the Wastewater System are billed monthly sewer service charges based on a user classification system. Service charges include the direct and indirect costs of operating, maintaining and repairing, and the capital replacement and improvement costs related to the Wastewater System.

Residential. Residential users of the Wastewater System are billed a flat monthly charge depending upon the classification. Multifamily residential users and mobile homes are billed a slightly lower amount per dwelling unit.

Nonresidential. All nonresidential users of the Wastewater System except for schools (*i.e.* commercial, government and industrial users) of the Wastewater System are billed a flat monthly rate of $24.79 in addition to a volume charge based on one-hundred cubic feet of metered water consumption. Different volume charges are applied depending upon the user classification code. The Fiscal Year 2009-10 rate classifications range from $0.0375 per 100 cubic feet for miscellaneous users, such as offices and retail establishments, to $0.0941 per 100 cubic feet for restaurant and hotel/motel establishments.

Schools. The City bills schools for wastewater service based upon the number of students (by average daily attendance) attending the institution. The applicable rate for Fiscal Year 2009-10 is $2.310 per student per year.

Irrigation Water Meters. Customers who use significant quantities of water for landscape irrigation may install a separate irrigation water meter. Since none of this water is discharged to the Wastewater System, sewer service charges are not applied to the billing for irrigation accounts.

Pretreatment Charges. In addition to the monthly service charges, the City collects fees for establishing and operating the WIPP and the pollution prevention program (the "PPP") to regulate discharges of wastewater and enforce compliance with the requirements of the Permit. The WIPP requires users of the Wastewater System with a potential for adversely impacting the Wastewater System, but to a lesser extent than significant industrial user (an "SIU"), to establish monitoring, reporting, notification and record keeping systems. An SIU is an industrial wastewater user of greater than 25,000 gal/day, or greater than 5% of the average dry weather flow, or 5% of the organic load capacity of the WPCF.

Table 6
City of Woodland
Wastewater System
Pretreatment Charges
Fiscal Year 2009-10

User Classification	Monthly Charge
Residential	$1.57
Commercial (Non-PPP)	1.57
PPP	8.57
SIU	185.12

Source: City of Woodland, Finance Department.

Development Fees. Development Fees are one-time charges levied by the City to recover costs incurred by the Wastewater System for providing increased capacity required by new development. The Development Fees were approved as part of the MPFP Fee. See "–Master Planning for the Wastewater System–*Major Project Financing Plan Fees.*"

Interest Income. The Wastewater System receives additional income from interest income earned on funds available for use in operations and for application to capital projects.

To meet the projected funding requirements for expansion, improvement, maintenance and operating expenses for the WPCF, the City Council approved multi-year increases in the monthly wastewater service charges on June 7, 2005. The last scheduled rate increase became effective July 1, 2008. Thereafter increases are based on the San Francisco-Oakland-San Jose Consumer Price Index for All Urban Consumers and become effective each July 1.

Current Rates. The current Wastewater System Rates were approved by the City Council on June 7, 2005 and became effective July 1, 2005, with the last scheduled rate increase effective July 1, 2008. Table 5 sets forth the current and approved Wastewater System rates for Fiscal Years 2009-10 through 2012-13.***]***

Table 7
City of Woodland
Wastewater System
Current Approved Wastewater System Rates
Fiscal Years 2009-10 though 2012-13[1]

Residential Billing Category	2009-10 Monthly Rate	2010-11 Monthly Rate	2011-12 Monthly Rate	2012-13 Monthly Rate
Residential Unattached	$38.30	$39.45	$40.63	$41.85
Residential Attached	31.07	32.00	32.96	33.95
Apartments (per unit)	24.99	25.74	26.51	27.31
Mobile Homes	24.99	25.74	26.51	27.31

Non-Residential Billing Category	Monthly Flat Rate	Charge $/CCF	Monthly Flat Rate	Monthly Flat Rate	Charge $/CCF	Monthly Flat Rate	Monthly Flat Rate	Charge $/CCF
Bank	$24.99	$0.0375	$25.74	$0.0386	$26.51	$0.0398	$27.31	$0.0410
Bar	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Car Wash	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Clinic	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Commercial	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Industrial	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Service Station	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Government	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Special Rate	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Laundry	24.99	0.0375	25.74	0.0386	26.51	0.0398	27.31	0.0410
Hospital	24.99	0.0426	25.74	0.0439	26.51	0.0452	27.31	0.0466
Hotel/Motel	24.99	0.0497	25.74	0.0512	26.51	0.0527	27.31	0.0543
Restaurant	24.99	0.0941	25.74	0.0969	26.51	0.0998	27.31	0.1028
Schools[2]	24.99	2.311	25.74	2.3793	26.51	2.4507	27.31	2.5242

(1) Rates for Fiscal Years 2010-11 through 2012-13 are based upon the Fiscal Year 2009-10 rates increased annually by an estimated 3% inflation factor.
(2) Charge is based on average daily attendance.
Source: City of Woodland, Public Works Department.

The City's single-family residential charges for Fiscal Year 2009-10 are set forth in Table 8 below with a comparison to rates charged by neighboring northern California cities.

Table 8
City of Woodland
Wastewater System
Monthly Wastewater Charge Comparison
Single-Family Residential Service
(As of Fiscal Year 2009-10)

City	Average Monthly Residential Charge
Davis(1)	$86.39
Dixon(2)	47.30
Woodland(1)	**38.30**
Vacaville(3)	30.13
Fairfield Suisun Sewer District(4)	25.49
West Sacramento(5)	25.47
Sacramento(1)(6)	14.30

(1) Effective July 1, 2009.
(2) Operating under a cease and desist order requiring expansion of the wastewater treatment disposal system to accommodate existing flows, prevent inundation from bypassed overflows and permit a minimum of five years of growth with annual flow-consistent with 100-year winter storm conditions.
(3) Represents the fixed charge only effective March 1, 2009. Wastewater service is made up of two components: a fixed and a variable charge. The fixed charge covers ongoing costs for sewer collection, treatment, and discharge. The variable charge is based upon actual winter water consumption use.
(4) Effective July 1, 2009.
(5) Effective July 1, 2009.
(6) Residential Charges are based upon the number of rooms. Rate indicated indicates the average rate.
Sources: City of Dixon and Fairfield Suisun Sewer District.

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Delinquencies

Set forth in the table below is a summary of the amounts billed for charges for services and recognized as uncollectible for the last five Fiscal Years.

Table 9
City of Woodland
Wastewater System
Delinquency Rate by Type of Account
(As of June 30 of each Fiscal Year)

	Number of Delinquent Accounts									
	2004-05		2005-06		2006-07		2007-08		2008-09†	
Type of Account	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Residential	–	0.00%	–	0.00%	$1,625	0.02%	$15,835	0.17%	$21,387	0.21%
Non-Residential										
Commercial/Industrial	–	0.00	–	0.00	–	0.00	–	0.00	2,497	0.02
Hospital	–	0.00	–	0.00	–	0.00	–	0.00	–	0.00
Hotel/Motel	–	0.00	–	0.00	–	0.00	–	0.00	–	0.00
Restaurant	–	0.00	–	0.00	–	0.00	–	0.00	–	0.00
School	–	0.00	–	0.00	–	0.00	–	0.00	–	0.00
TOTAL DELINQUENT	–	0.00	–	0.00	1,625	0.02	15,835	0.17	23,884	0.23
Non-Delinquent	$5,409,090	100.00	$6,321,195	116.86%	7,818,135	99.98	9,232,039	99.83	10,200,815	99.77
TOTAL ACCOUNTS	$5,409,090	100.00%	$5,409,090	100.00%	$7,819,760	100.00%	$9,247,874	100.00%	$10,224,699	100.00%

† Estimated. In February 2009, the City changed the billing cycle from bi-monthly to monthly. Service is now terminated monthly for all delinquent accounts within the City instead of bi-monthly.

Source: City of Woodland, Public Works Department.

Customer Base

The Wastewater System serves more than 14,000 residential, commercial, industrial and government customers. Table 10 below shows customer base by type of account. The 10 largest users of the Wastewater System by flow CCUFT are set forth in Table 11 and the ten largest users of the Wastewater System by revenues are set forth in Table 12.

Table 10
City of Woodland
Wastewater System
Customer Base by Type of Account
(Fiscal Years)

Type of Account	2005-06	2006-07	2007-08	2008-09	2009-10[2]
Residential	12,212	12,498	12,657	12,920	13,020
Non-Residential					
Commercial/Industrial	944	950	959	956	956
Hospital	22	21	21	20	20
Hotel/Motel	17	17	18	18	18
Restaurant	60	61	61	60	60
School	33	33	33	33	33
SUBTOTAL NON-RESIDENTIAL	1,076	1,082	1,092	1,087	1,087
TOTAL	13,288	13,580	13,749	14,007	14,107

(1) Estimated. Assumes 100 new residential accounts will be opened and flat growth in non-residential accounts.
Source: City of Woodland, Public Works Department.

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Table 11 lists the ten largest users served by the Wastewater System in terms of annual flow and their respective annual flows per 100 cubic feet of water ("centi-cubic feet" or "CCUFT") during Fiscal Year 2004-05, with 40,112 CCUFT/month equivalent to 1.000 mgd. Therefore, as of June 30, 2009 total annual for the 10 largest users corresponds to __ mgd:

Table 11
City of Woodland
Wastewater System
Ten Largest Users by Flow
Fiscal Years 2006-07 through 2008-09†

	Fiscal Year 2006-07		Fiscal Year 2007-08		Fiscal Year 2008-09	
User Name	(CCUFT)	Percent	(CCUFT)	Percent	(CCUFT)	Percent
Biomass	228,266	3.34%	239,987	3.26%	239,197	3.07%
Woodland Memorial	27,067	0.40	28,352	0.39	30,860	0.40
Woodland Oaks Apartments	15,170	0.22	15,059	0.20	14,888	0.19
Heritage Oaks Apartments	–	–	–	0.00	12,742	0.16
USA Properties Apartments	–	–	–	0.00	12,275	0.16
County Fair Mall	17,438	0.25	17,815	0.24	12,091	0.16
Costco	–	–	–	0.00	10,139	0.13
Westwood Apts	9,769	0.14	9,402	0.13	9,876	0.13
Marsol Mgmt Apartments	8,309	0.12	10,657	0.14	9,536	0.12
Bel-Air	–	–	–	0.00	9,155	0.12
Pacific Coast Producers	9,179	0.13	9,852	0.13	–	0.00
Vanetti Trustee (Apts)	10,134	0.15	9,804	0.13	–	0.00
The Californian	9,004	0.13	9,770	0.13	–	0.00
Mid Peninsula Management	10,952	0.16	9,375	0.13	–	0.00
Subtotal Top 10	345,288	5.05	360,073	4.90	360,759	4.64
All Others	6,498,498	94.95	6,992,868	95.10	7,428,731	95.36
TOTAL	6,843,786	100.00%	7,352,941	100.00%	7,789,490	100.00%

† Estimated.
Source: City of Woodland, Finance Department.

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Table 12 lists the 10 largest users in terms of revenues and their respective percentages of total revenues.

Table 12
City of Woodland
Wastewater System
Ten Largest Users by Revenues
Fiscal Years 2006-07 through 2008-09†

User Name	Fiscal Year 2006-07 Annual Revenue	Fiscal Year 2006-07 Percent of Annual Revenue	Fiscal Year 2007-08 Annual Revenue	Fiscal Year 2007-08 Percent of Annual Revenue	Fiscal Year 2008-09 Estimated Annual Revenue	Fiscal Year 2008-09 Percent of Annual Revenue
Biomass	$106,482	1.36%	$135,456	1.46%	$160,304	1.57%
Autumn Run Apts	87,821	1.12	103,740	1.12	117,802	1.15
Woodland Memorial	83,869	1.07	107,426	1.16	129,378	1.27
County Fair Mall	48,157	0.62	57,586	0.62	48,503	0.47
USA Properties Apts(1)	–	–	20,695	0.22	46,406	0.45
Costco(2)	–	–	6,493	0.07	37,345	0.37
Alderson Hospital	31,280	0.40	30,636	0.33	36,880	0.36
Madsen & Walton Properties	30,753	0.39	39,798	0.43	44,622	0.44
Heritage Oaks Apartments	26,612	0.34	31,436	0.34	35,697	0.35
Bel-Air	19,262	0.25	24,380	0.26	33,148	0.32
Westwood Apartments	20,403	0.26	24,101	0.26	27,368	0.27
Woodland Oaks Apartments	17,741	0.23	22,726	0.25	25,388	0.25
Total 10 Largest Users	472,380	6.04	604,473	6.54	742,841	7.27
All Others	7,347,380	93.96	8,643,401	93.46	9,481,858	92.73
TOTAL	7,819,760	100.00	9,247,874	100.00	10,224,699	100.00

(1) This apartment complex opened in December 2007.
(2) Costco opened at the end of February 2008.
Source: City of Woodland, Finance Department.

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Net Assets

Set forth in Table 13 is a summary of the Statement of Net Assets for the Wastewater System for the Fiscal Years 2004-05 through 2007-08, as summarized from information presented in the City of Woodland Comprehensive Annual Reports for those same Fiscal Years, and the unaudited information for Fiscal Year 2008-09.

Table 13
City of Woodland
Wastewater System
Statement of Net Assets
(Fiscal Years 2000-01 through 2007-08 and Unaudited Fiscal Year 2008-09)
($ in thousands)

	2004-05	2005-06	2006-07	2007-08	(Unaudited) 2008-09
ASSETS					
Current Assets:					
Cash and Investments	$3,111,398	$8,075,972	$59,405	$3,596,912	$10,350,697
Accounts receivable	432,246	489,255	650,871	791,276	614,668
Due from other funds	–	307,140	7,377,436	5,057,047	–
Prepaid items and deposits	–	–	14,116	10,825	10,825
Other assets	45,631	16,077	–	–	–
TOTAL CURRENT ASSETS	3,589,275	8,888,444	8,101,828	9,456,060	10,976,190
NONCURRENT ASSETS:					
Cash and investment with fiscal agents	920,091	920,334	951,274	920,577	920,028
Advances to other funds	–	1,285,824	–	–	–
Land	2,963,451	2,957,761	2,957,761	2,957,761	2,957,761
Construction in progress	2,166,981	6,989,842	10,366,272	9,176,085	670,200
Depreciable capital assets (net of accumulated depreciation)	22,305,805	22,744,566	55,480,934	55,491,929	63,754,120
TOTAL NONCURRENT ASSETS	28,356,328	34,898,327	69,756,241	68,546,352	68,302,109
TOTAL ASSETS	31,945,603	43,786,771	77,858,069	78,002,412	79,278,299
LIABILITIES					
Current Liabilities:					
Accounts payable	158,728	909,174	313,792	214,320	345,954
Due to other funds	–	–	–	–	–
Interest payable	98,829	86,729	74,367	61,142	61,142
Compensated absences	28,310	28,311	33,394	35,793	35,793
Long-term debt – current position	605,000	645,000	638,584	730,000	770,000
TOTAL CURRENT LIABILITIES	890,867	1,669,214	1,060,137	1,041,255	1,212,889
Noncurrent Liabilities:					
Compensated absences	30,016	55,098	97,797	39,318	39,318
Advances from other funds	–	–	–	–	–
Revenue bonds	–	10,087,220	10,087,220	10,087,220	10,087,220
Certificates of participation, net	4,165,085	3,571,501	2,984,333	2,254,334	1,484,334
Capitalized lease obligations	–	–	–	–	–
TOTAL NONCURRENT LIABILITIES	4,195,101	13,713,819	13,169,350	12,380,872	11,610,872
TOTAL LIABILITIES	5,085,968	15,383,033	14,229,487	13,422,127	12,823,761
NET ASSETS					
Invested in capital assets, net of related debt	22,666,152	23,781,635	56,046,104	54,554,221	55,040,527
Restricted for debt service	920,091	920,334	–	–	–
Unrestricted	3,273,392	3,701,769	7,582,478	10,026,064	11,414,011
TOTAL NET ASSETS (DEFICIT)	$26,859,635	$28,403,738	$63,628,582	$64,580,285	$66,454,538

Source: Fiscal Year 2008-09 Comprehensive Annual Financial Report and City Finance and Management Agency.

Revenues, Expenses and Debt Service Coverage

Historical Revenues and Expenses. The Statements of Revenues and Expenses of the City's Wastewater System for the Fiscal Years 2004-05 through 2007-08, as summarized from information presented in the City of Woodland Comprehensive Annual Reports for those same Fiscal Years and unaudited information for Fiscal year 2008-09 is set forth in Table 14.

Table 14
City of Woodland
Wastewater System
Historical Statement of Revenues and Expenses and Changes in Fund Net Assets
(Fiscal Years Ended June 30)
($ in thousands)

	2004-05	2005-06	2006-07	2007-08	(Unaudited) 2008-09
Operating Revenue					
Charges for Services	$5,409,090	$6,321,195	$7,821,869	$9,247,874	$10,362,455
Other	111,752	268,475	11,060	109,421	125,298
TOTAL OPERATING REVENUES	5,520,842	6,589,670	7,832,929	9,357,295	10,487,753
Operating Expenses					
Personnel Services	1,159,707	1,552,175	1,884,011	2,271,171	2,642,477
Utilities	470,464	506,666	638,945	675,952	693,895
Office Supplies and Expenses	179,229	989,100	1,060,659	1,470,540	1,178,764
Small Tools and Supplies	4,642	2,588	4,387	5,924	5,546
Contractual Services	1,041,148	265,553	348,999	1,071,359	1,044,065
Depreciation	846,245	894,942	1,781,945	1,855,486	1,906,675
Equipment Rental and Maintenance	414,811	321,045	334,845	363,627	405,836
Insurance Premiums and Claims	–	–	–	–	–
TOTAL OPERATING EXPENSES	4,116,246	4,532,069	6,053,791	7,714,059	7,877,258
Operating Income (Loss)	1,404,596	2,057,601	1,779,138	1,643,236	2,610,495
Non-Operating Revenues (Expenses)					
Investment Earnings	132,319	533,324	424,416	467,831	345,482
Intergovernmental	59,132	–	–	–	–
Interest Expense	(249,875)	(530,297)	(299,241)	(261,291)	(183,425)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(58,424)	3,027	125,175	206,540	162,057
Income (Loss) Before Transfers	1,346,172	2,060,628	1,904,313	1,849,776	2,772,552
Transfers In	352,565	–	–	–	
Transfers Out	(177)	(516,525)	(891,736)	(898,073)	(898,299)
CHANGE IN NET ASSETS	1,698,560	1,544,103	1,012,577	951,703	1,874,253
Net Assets (Deficit), Beginning of Year	25,161,075	26,859,635	62,616,005	63,628,582	64,580,285
Net Assets (Deficit), End of Year	$26,859,635	$28,403,738	$63,628,582	$64,580,285	$66,454,538

† Unaudited.
Source: Compiled from City's Comprehensive Annual Financial Reports; City Finance and Management Agency.

Historical Debt Service Coverage. In February 2001, following a request for proposals process, the City retained Bartle Wells Associates ("Bartle Wells") to complete a utility rate study (the "2001 Rate Study"). In September 2001, the City Council adopted increased rates for residential sewer service commencing January 1, 2002 through January 1, 2005 based upon the 2001 Rate Study.

In 2004, the City became aware that the rates charged for sewer services were insufficient to cover the increased capital replacement and maintenance costs necessary to comply with the Permit (see "–Regulatory Matters"). The resulting deficit in the Wastewater enterprise fund was offset with transfers from other lawfully available funds of the City. The City then commenced a review of its rates, fees and charges and its MPFP Fees based on assumptions, estimates and projections believed by the City, its Independent Consultant and others to be reasonable. Based upon, and consistent with, such assumptions, estimates and projections, which were not independently reviewed, Bartle Wells, the special consultant to the City and serving as the Independent Consultant) verified the proposed rates and prepared a "Sewer Rate Review and Financing Plan" dated February 2005 (the "Sewer Rate Review"). Bartle Wells concluded in the Sewer Rate Review that the proposed rates were sufficient to permit the City to: construct the tertiary treatment improvements and increase facilities maintenance repairs and replacements (a portion of the costs of which are being financed with the proceeds of the Series 2005 Bonds); and increase the useful lives of the existing facilities of the Wastewater System.

Following a public hearing held on April 19, 2005, after notice thereof was mailed to all ratepayers in the City, the City Council adopted Resolution No. 4655 on June 7, 2005, increasing the sewer rates commencing July 1, 2005 and establishing annual increases through the annual billing period beginning on July 1, 2008, and thereafter rate increases are based upon the consumer price index. Such rate increases require no further City Council action to become effective and are anticipated to generate Revenues sufficient to pay debt service on the Series 2005 Bonds, and provide other funds to maintain the Wastewater System. See also "–Rate Setting, Billing and Collection Procedures."

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Table 15
City of Woodland
Wastewater System
Historical Debt Service Coverage
Fiscal Years Ended June 30
($ in thousands)

	Audited 2005	Audited 2006	Audited 2007	Audited 2008	Projected 2009
Revenues					
Charges for Services	$5,409	$6,321	$7,822	$9,248	$10,362
Connection Fees	1,135	2,649	2,530	2,736	1
Interest Earnings	132	533	424	469	345
Other / Transfers	172	268	11	109	125
TOTAL GROSS REVENUE	**6,847**	**9,772**	**10,787**	**12,561**	**10,834**
Less: Operations and Maintenance (O&M)					
Personnel Services	1,160	1,552	1,884	2,271	2,642
Utilities	470	507	639	676	694
Office Supplies and Expenses	179	989	1,061	1,471	1,179
Small Tools and Supplies	5	3	4	6	6
Contractual Services	1,041	266	349	1,071	1,044
Equipment Rental and Maintenance	415	321	335	364	406
TOTAL OPERATIONS AND MAINTENANCE	**3,270**	**3,637**	**4,272**	**5,859**	**5,971**
Net System Revenue(1)	**3,577**	**6,135**	**6,515**	**6,703**	**4,864**
Debt Service (Senior)					
Certificates of Participation, Series 1992 Debt Service	906	901	905	913	913
Net Available Revenue(2)	**2,671**	**5,233**	**5,610**	**5,789**	**3,950**
Debt Service Coverage Ratio (Senior Only)	**3.949**	**6.805**	**7.198**	**7.340**	**5.325**
Debt Service (Second Senior)					
Wastewater Revenue Bonds, Series 2005 Debt Service	–	244	845	845	845
Net Revenue Available for Development Debt Service and Capital	**2,671**	**4,989**	**4,765**	**4,944**	**3,105**
Debt Service Coverage Ratio (Second Senior Only)	**N/A**	**21.439**	**6.639**	**6.852**	**4.675**
Aggregate Debt Service Coverage Ratio (All Series)	**3.949**	**5.355**	**3.723**	**3.812**	**2.766**
Aggregate Debt Service Coverage Ratio (All Series Excluding Connection Fees)	**2.696**	**3.043**	**2.277**	**2.256**	**2.765**
Debt Service (Development)					
Lease Revenue Bonds (2002 Capital Projects) Debt Service	1,351	1,353	1,349	1,350	1,355
TOTAL OTHER DEBT SERVICE	**1,351**	**1,353**	**1,349**	**1,350**	**1,355**
Net Revenue After Development Debt Service	**$1,320**	**$3,637**	**$3,416**	**$3,595**	**$1,750**

(1) Includes interest income, late fees and penalties.
(2) Excludes depreciation expenses. For details, see Table 10–"Historical Statement of Revenues and Expenses and Changes in Fund Net Assets."
(3) Represents the ratio of debt service payable on the 1992 Certificates of Participation to the Net Operating Revenue Available for Debt Service.
(4) Represents the ratio of debt service payable on the 1992 Certificates of Participation to the Net Operating Revenue Available for Debt Service *excluding* Development Fees.

Sources: City's Comprehensive Annual Financial Reports and Del Rio Advisors, LLC.

Projected Revenues and Expenses and Debt Service Coverage. Projected Net Wastewater Revenues and Expenses are set forth in Table 16 are based on growth in DUEs in the amount of [475 per year at a rate equal to $7,125 and are assumed to increase at a rate equal to 2% increase in service charges - ***Confirm***]. The projections below are based on assumptions that the City believes are reasonable based upon current plans and expectations. No assurance can be given, however, that such assumptions will be realized and actual results may vary materially from those projected and result in different financial results.

Table 16
City of Woodland
Wastewater System
Pro Forma Cash Flow Projection and Debt Service Coverage

	Projected 2009-10	Projected 2010-11	Projected 2011-12	Projected 2012-13	Projected 2013-14
Charges for Services (Existing Customers)	$10,673,329	$10,993,529	$11,323,335	$11,663,035	$12,012,926
Charges for Services (New Single-Family Residential)	32,632	100,361	109,213	150,158	152,609
Charges for Services (New Multi-Family)	–	–	26,086	26,873	27,680
Charges for Services (New Commercial)	750	772	796	820	844
Revenues					
Total Charges for Services	10,706,711	11,094,662	11,459,430	11,840,886	12,194,059
Connection Fees (2)	582,716	837,932	1,489,216	2,059,081	3,606,996
Interest Earnings	105,061	216,754	347,971	326,275	247,114
Other / Transfers	–	–	–	–	–
TOTAL GROSS REVENUE	**11,394,488**	**12,149,348**	**13,296,617**	**14,226,242**	**16,048,169**
Less: Operations and Maintenance (O&M)					
Personnel Services	2,774,601	2,913,331	3,058,997	3,211,947	3,372,545
Utilities	728,590	765,019	803,270	843,434	885,605
Office Supplies and Expenses	1,237,702	1,299,587	1,364,567	1,432,795	1,504,435
Small Tools and Supplies	5,823	6,114	6,420	6,741	7,078
Contractual Services	1,096,268	1,151,082	1,208,636	1,269,068	1,332,521
Equipment Rental and Maintenance	426,233	447,544	469,922	493,418	518,089
Total Operations and Maintenance	**6,269,217**	**6,582,678**	**6,911,812**	**7,257,403**	**7,620,273**
Net System Revenue(3)	**5,125,271**	**5,566,670**	**6,384,805**	**6,968,840**	**8,427,897**
Debt Service (Senior)					
Certificates of Participation, Series 1992 Debt Service	911,450	917,175	920,025	–	–
Net Available Revenue (4)	**4,213,821**	**4,649,495**	**5,464,780**	**6,968,840**	**8,427,897**
Debt Service Coverage Ratio (Senior Only)	***5.623***	***6.069***	***6.940***	***N/A***	***N/A***
Debt Service (Second Senior)					
Wastewater Revenue Bonds, Series 2005 Debt Service	844,968	844,968	844,968	1,174,968	1,172,428
Wastewater Revenue Bonds, Series 2009 Debt Service	202,985	598,973	598,973	998,973	1,001,973
Total Debt Service (Second Senior)	**1,047,953**	**1,443,940**	**1,443,940**	**2,173,940**	**2,174,400**
Net Revenue Available for Development Debt Service and Capital	**$3,165,869**	**$3,205,555**	**$4,020,840**	**$4,794,900**	**$6,253,497**

(1) Based on the City of Woodland Ten-Year CIP Projection.
(2) Based on City of Woodland Ten-Year CIP Projection (Reflective of Expected Single-Family, Multi-Family and Commercial Projects).
(3) Amounts Available to First Pay Debt Service on the Senior Bonds.
(4) Amounts Remaining To Pay Debt Service on the Second Senior Bonds and Parity Bonds.
(5) Excludes Sales Tax Portion of 2002 Lease Revenue Bonds.
Sources: City of Woodland, Finance Department and Del Rio Advisors, LLC.

Net Assets

Set forth in Table 13 is a summary of the Statement of Net Assets for the Wastewater System for the Fiscal Years 2004-05 through 2007-08, as summarized from information presented in the City of Woodland Comprehensive Annual Reports for those same Fiscal Years, and the unaudited information for Fiscal Year 2008-09.

Table 13
City of Woodland
Wastewater System
Statement of Net Assets
(Fiscal Years 2000-01 through 2007-08 and Unaudited Fiscal Year 2008-09)
($ in thousands)

	2004-05	2005-06	2006-07	2007-08	(Unaudited) 2008-09
ASSETS					
Current Assets:					
Cash and Investments	$3,111,398	$8,075,972	$59,405	$3,596,912	$10,350,697
Accounts receivable	432,246	489,255	650,871	791,276	614,668
Due from other funds	–	307,140	7,377,436	5,057,047	–
Prepaid items and deposits	–	–	14,116	10,825	10,825
Other assets	45,631	16,077	–	–	–
TOTAL CURRENT ASSETS	3,589,275	8,888,444	8,101,828	9,456,060	10,976,190
NONCURRENT ASSETS:					
Cash and investment with fiscal agents	920,091	920,334	951,274	920,577	920,028
Advances to other funds	–	1,285,824	–	–	–
Land	2,963,451	2,957,761	2,957,761	2,957,761	2,957,761
Construction in progress	2,166,981	6,989,842	10,366,272	9,176,085	670,200
Depreciable capital assets (net of accumulated depreciation)	22,305,805	22,744,566	55,480,934	55,491,929	63,754,120
TOTAL NONCURRENT ASSETS	28,356,328	34,898,327	69,756,241	68,546,352	68,302,109
TOTAL ASSETS	31,945,603	43,786,771	77,858,069	78,002,412	79,278,299
LIABILITIES					
Current Liabilities:					
Accounts payable	158,728	909,174	313,792	214,320	345,954
Due to other funds	–	–	–	–	–
Interest payable	98,829	86,729	74,367	61,142	61,142
Compensated absences	28,310	28,311	33,394	35,793	35,793
Long-term debt – current position	605,000	645,000	638,584	730,000	770,000
TOTAL CURRENT LIABILITIES	890,867	1,669,214	1,060,137	1,041,255	1,212,889
Noncurrent Liabilities:					
Compensated absences	30,016	55,098	97,797	39,318	39,318
Advances from other funds	–	–	–	–	–
Revenue bonds	–	10,087,220	10,087,220	10,087,220	10,087,220
Certificates of participation, net	4,165,085	3,571,501	2,984,333	2,254,334	1,484,334
Capitalized lease obligations	–	–	–	–	–
TOTAL NONCURRENT LIABILITIES	4,195,101	13,713,819	13,169,350	12,380,872	11,610,872
TOTAL LIABILITIES	5,085,968	15,383,033	14,229,487	13,422,127	12,823,761
NET ASSETS					
Invested in capital assets, net of related debt	22,666,152	23,781,635	56,046,104	54,554,221	55,040,527
Restricted for debt service	920,091	920,334	–	–	–
Unrestricted	3,273,392	3,701,769	7,582,478	10,026,064	11,414,011
TOTAL NET ASSETS (DEFICIT)	$26,859,635	$28,403,738	$63,628,582	$64,580,285	$66,454,538

Source: Fiscal Year 2008-09 Comprehensive Annual Financial Report and City Finance and Management Agency.

Investment of Revenues

Investment of Wastewater Revenues (except pension and retirement funds) are made in accordance with the City's Investment Policy. For a description of the Investment Policy see APPENDIX A–"GENERAL, ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WOODLAND–FINANCIAL INFORMATION–Investment Policy."

CERTAIN RISKS TO BONDHOLDERS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2009 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2009 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2009 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2009 Bonds or the ability of the City to make Installment Payments. There can be no assurance that other risk factors not discussed herein will not become material in the future.

General

The Installment Payments are payable solely from and secured solely by the Wastewater Revenues pledged therefor under the Installment Sale Agreement, together with amounts on deposit from time to time in certain funds and accounts held by the Trustee. If for any of the reasons described below, or for any other reason, the City does not collect sufficient Net Wastewater Revenues to pay the Installment Payments, the City will not be obligated to utilize any other of its funds, other than amounts available under in the Reserve Accounts or under the Reserve Facility and certain other amounts on deposit in the funds and accounts established under the Trust Agreement to pay debt service on the Bonds. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Fund" [and "FINANCIAL GUARANTY INSURANCE–Reserve Fund Surety Bond."]

System Demand

There can be no assurance that the demand for sewer services 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.

System Expenses

There can be no assurance that the City's projected expenses will be consistent with the descriptions in this Official Statement. Increases in expenses including, but not limited to, personnel costs, regulatory compliance costs and changes in technology, could require an increase in rates or charges in order to comply with the rate covenant.

Limited Recourse on Default

If the City defaults on its obligation to pay debt service on the Series 2009 Bonds, the Trustee has the right to accelerate the total unpaid principal amount of the Series 2009 Bonds outstanding and interest accrued thereon. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated debt service from Net Wastewater Revenues.

Initiatives; Changes in Law

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 218, were adopted as measures that qualified for the ballot through California's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the Net Wastewater Revenues or the ability of the City to expend its revenues. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Wastewater Revenues and adversely affect the security for the Series 2009 Bonds.

Statutory and Regulatory Impact

Laws and regulations governing collection, treatment and disposal of wastewater are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. In addition, claims against the City for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Revenues or from other legally available sources.

Although the City has covenanted in the Installment Sale Agreement to fix, prescribe and collect rates and charges for the sewer service during each Fiscal Year sufficient to yield the debt service coverage required by the Installment Sale Agreement, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the City to generate Net Wastewater Revenues in the amounts required by the Installment Sale Agreement and to pay debt service on the Series 2009 Bonds. Certain potential increasing regulatory standards which could materially increase the cost to the City of providing sewer services.

Risk of Earthquake and Other Natural Disasters

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the City to the Water System, buildings, roads, bridges, and other property. The City is located in a zone 3 seismic area. Seismic zones aid in identifying and characterizing certain geological conditions and the risk of seismic damage at a particular location, and are used in establishing building codes to minimize seismic damage. The five seismic zones are: zone 0 (no measurable damage), zone 1 (minor damage), zone 2 (moderate damage), zone 3 (major damage) and zone 4 (major damage and greater proximity than zone 3 to certain major fault systems). While the City is not located in any existing special study zone delineated by the State Division of Mines and Geology as an area of known active faults, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the City, including the Wastewater System.

In the event of a severe seismic event in or around the City, there could be substantial damage to the Wastewater System facilities resulting in a reduction of Net Wastewater Revenues. Such reduction of Net Wastewater Revenues could have an adverse effect on the City's ability to make timely payments of debt service on the Series 2009 Bonds. The City is uninsured as to earthquake damage to the Wastewater System facilities.

Risk of Flooding. In accordance with the National Flood Insurance Reform Act (the "NFIRA") requiring, among other things, that the Federal Emergency Management Agency ("FEMA") assess its flood hazard map inventory at least once every five years.

In the aftermath of Hurricane Katrina in August 2005, the Corps of Engineers delivered letters to agencies nationwide withdrawing certification of the flood hazard maps. As a result, FEMA implemented a Flood Map Modernization effort to update existing FIRMs, policies, regulations and procedures. In particular, FEMA has placed a high priority on reviewing, identifying and certifying levees and levee systems nationwide to verify whether such levees and levee systems provide adequate flood protection in areas currently designated as within a 100-year floodplain. To assure that levees shown on modernized FIRMs still provide that level of protection, FEMA is requiring that each levee in the country be inspected and accredited.

FEMA completed inspection of the levees in the County. A preliminary FIRM was released by FEMA on December 19, 2008 significantly expanding the area of high-risk flood zones within the County. . The preliminary FIRM is an approximation of potential future flood plain areas and do not replace the existing official floodplain maps. Until final FIRMs are issued, the current FIRMs remain in effect. The final FIRMs become effective in early 2010.

In addition, the DWR is in the process of evaluating and upgrading aging and deteriorating levees along the Sacramento and San Joaquin River Valleys and the Delta. DWR is evaluating more than 300 miles of urban project levees in these areas, with plans to later survey the entire 1,600 miles of project levees in the Central Valley of the State.

The City makes no representation that the construction of the FPRP will guaranty that FEMA will accredit the levee improvements completed in 1998 or any of the other levees within the City or that FEMA will not issue revised FIRMs in the future that place all or some of the City within the boundaries of a 100-year floodplain.

Risk Management and Insurance

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. The City has maintained a program of self-insurance for many years in an amount up to $20 million (after $2 million self-insurance retention) for the above types of claims, including annual appropriations for self-insured losses, and professional staff for investigation and legal defense of claims and litigation. See also, "THE WASTEWATER SYSTEM–Lease of Portions of the Wastewater System."

The City is uninsured as to earthquake damage to its Wastewater System facilities.

H1N1 Influenza

The World Health Organization and the U.S. Department of Health and Human Services (through the Secretary of the Department of Homeland Security), recently declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or flu. The outbreaks occurred initially in Mexico and shortly thereafter in the United States, and have spread to many other countries. This strain apparently is the first to be communicable from human-to-human, and thus poses a potential risk of an international influenza pandemic. This flu strain has caused over 100 deaths in Mexico and several in the United States, many of whom were healthy young adults. Travel restrictions, as well as other public health measures, may be imposed to limit the spread of this flu. There have been 55 confirmed cases of this flu strain within the County and one death. The City is unable to predict how serious this situation may become, the effect it may have on revenues within the City or if that effect could be material.

Limitations on Remedies

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Wastewater Revenues sufficient to pay principal of and interest on the Series 2009 Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "–Right to Vote on Taxes Initiative." Furthermore, the remedies available to the owners of the Series 2009 Bonds upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, equity principles 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 of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Series 2009 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited since the Wastewater System serves an essential public purpose.

In addition to the limitations on remedies contained in the Installment Sale Agreement, the rights and obligations under the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel, concurrently with the issuance of the Series 2009 Bonds, will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Series 2009 Bonds will be similarly qualified. See APPENDIX D–"PROPOSED FORM OF BOND COUNSEL OPINION." In the event the City fails to comply with its covenants under the Installment Sale Agreement or the Authority fails to pay principal of and interest on the Series 2009 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Series 2009 Bonds.

Loss of Tax Exemption for the Series 2009A Bonds

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2009 A Bonds, the City and the Authority have covenanted in the Installment Sale Agreement to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the Series 2009A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Series 2009A Bonds as a result of acts or omissions of the City or the Authority in violation of this or other covenants in the Installment Sale Agreement applicable to the Series 2009A Bonds. The Series 2009A Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Installment Sale Agreement. See "TAX MATTERS."

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the Series 2009 Bonds) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Series 2009 Bonds was undertaken that it would not adversely affect the market value of the Series 2009 Bonds. See "TAX MATTERS."

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2009 Bonds or, if a secondary market exists, that the Series 2009 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In August 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January l, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January l, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in August 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City's appropriations limit for Fiscal Year 2008-09 was $49,468,055.65, and the amount shown in its budget for that year as the appropriations subject to limitation was $26,067,912. The City's appropriations limit for Fiscal Year 2009-10 is $50,457,416.76, and the amount shown in such budget as the appropriations subject to limitation is $23,699,623.

Proposition 218

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 has been and likely will be subject to further judicial determinations, and it is not possible at this time to predict with certainty the outcome of future determinations.

Article XIII C. Article XIII C provides that the initiative power shall 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 shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assessment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In that decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIII C grants to the voters within the City the power to repeal or reduce rates and charges in a manner that would be inconsistent with the contractual obligations of the City. No assurance can be given that the voters of the City under the Installment Sale Agreement, including the rate covenant will not, in the future, approve initiatives that seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the fees and charges for the Wastewater System, which are the source of Available Revenues pledged by the City to make the Installment Payments.

Article XIII D. Article XIII D established procedural requirements for imposition of assessments, defined to mean any levy or charge upon real property for a special benefit conferred upon real property, including standby charges. The procedural requirements include the conducting of a public hearing and an election, by mailed ballot, with notice the record owner of each parcel subject to the assessment. If a majority of the ballots returned oppose the assessment may not be imposed.

Article XIII D conditions the imposition or increase of any "fee" or "charge" upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIII D defines "fee" or "charge" to mean levies (other than *ad valorem* or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." One of the requirements of Article XIII D is that before a property related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and mailed notice sent to the record owner of each identified parcel of land upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

In *Howard Jarvis Taxpayers Association v. City of Los Angeles*, the Court of Appeal held that fees for water that are based upon metered amounts used are charges for a commodity and not related to property ownership and, consequently, Article XIII D does not apply to such fees. However, in a decision rendered in February 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District*, 32 Cal. 4th 409, upheld a Court of Appeals decision that water connection fees were not property related fees or charges subject to Article XIII D, while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard*

Jarvis Taxpayers Association v. City of Los Angeles and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District.* On March 23, 2005, the California Fifth District Court of Appeal published *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal.App.4th 914 (5th Dist. 2005), holding that an "in lieu" fee which is payable to the general fund of the City of Fresno from its water utility and which is included in the water rate structure of the city was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIII D. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006, the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. In dicta, the Supreme Court repeated its previous dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing water service through an existing connection were property related fees and charges under Article XIII D.

In addition to the procedural requirements of Article XIII D, under Article XIII D all property related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards: (i) the revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service; (ii) the revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel; (iv) no 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, fees or charges based on potential or future use of a service are not permitted, and standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIII D (relating to assessments); and (v) no fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

The City believes that its rates comply with the foregoing standards.

Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies. The ability of the City to expeditiously comply with its covenants under the Installment Sale Agreement and to generate Wastewater Revenues sufficient to make the Installment Payments may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters or property owners. Furthermore, any remedies available to the owners of the Series 2009 Bonds upon the occurrence of an event of default under the Trust Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Based on the foregoing, in the event the City fails to comply with its covenants under the Installment Purchase Contract, including its covenants to generate sufficient Wastewater Revenues, as a consequence of the application of Article XIII C and Article XIII D to make the Installment Payments, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Series 2009 Bonds.

Before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

Proposition 1A of 2004

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

Proposition 1A of 2004 was approved by the voters of the State on November 3, 2004.

and amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A of 2004 expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility.

Future Initiatives

Article XIII A, Article XIII B and Proposition 218 and Proposition 1A of 2004 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

THE AUTHORITY

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as November 1, 1996 (the "JPA Agreement"), between the City and the Redevelopment Agency of the City of Woodland. The JPA Agreement was entered into pursuant to the California Government Code, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects for the benefit of the City.

The Authority is governed by a five-member Board. The City Council constitutes the Board of the Authority. The Administrator and Secretary of the Authority are the City Manager and the City Clerk, the Treasurer/Controller of the Authority is the Finance Officer of the City. The Authority's powers include, but are not limited to, the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise the powers common to its members and necessary to accomplish the purposes for which it was formed. These powers include the power to make and enter into contracts; to employ agents and employees; to acquire, construct, manage, maintain and operate buildings, works or improvements; to acquire, hold or dispose of property within the City; and to incur debts, liabilities or obligations.

THE CITY

The City of Woodland is located in the Central Valley, which continues to be one of the most prosperous and fastest growing areas of the State. The City is 85 miles northeast of San Francisco, and, thus, feels the impact of growth in suburban areas of the greater Bay Area.

Even more importantly, The City is only 18 miles northwest of the State Capital, Sacramento, and shares in the economic trends of the Sacramento Valley region. A pleasant, mild climate coupled with access to rail and highway transportation, continue to make the City a leading location for residential, commercial and industrial development.

For certain economic, demographic and financial information with respect to the City, see APPENDIX A–"GENERAL, ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION CONCERNING THE CITY OF WOODLAND."

TAX MATTERS

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2009A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the corporate alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series 2009 Bonds is exempt from State of California personal income taxes. Interest on the Series 2009B Bonds is not excluded from gross income for federal income tax purposes. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

Series 2009A Bonds

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009A Bonds. The Authority and the City have covenanted to comply with certain restrictions designed to assure that interest on the Series 2009A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2009A Bonds being included in federal gross income, possibly from the date of issuance of the Series 2009A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2009A Bonds may affect the tax status of interest on the Series 2009A Bonds. In addition, pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code may adversely affect the value of, or the tax status of interest on, the Series 2009A Bonds. Prospective Owners of Series 2009A Bonds should consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel has rendered an opinion that interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of the Series 2009A Bonds or the accrual or receipt of interest on the Series 2009A Bonds may otherwise affect the owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Series 2009B Bonds

In the opinion of Bond Counsel, the Series 2009B Bonds constitute Qualified Bonds within the meaning of Section 54AA(g)(2) of the Code and are eligible for the credit payable by the federal government under Section 6431 of the Code (the "Refundable Credit"). The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009B Bonds in order for the Series 2009B Bonds to be treated as Qualified Bonds and continue to be eligible for the Refundable Credit. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Refundable Credit and may cause the Series 2009B Bonds to cease to be treated as Qualified Bonds either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Series 2009B Bonds. Bond Counsel expresses no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Refundable Credit by the federal government.

BANK QUALIFICATION

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides two exceptions to this interest disallowance rule for financial institutions. *First*, the disallowance does not apply to interest expense allocable to tax-exempt obligations issued in 2009 or 2010 (other than to refund, directly or in a series of refundings, a bond originally issued before 2009) to the extent the amount of such obligations owned by a financial institution does not exceed 2% of the average adjusted bases for all its assets. *Second*, the disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000 ($30,000,000 for obligations issued in 2009 or 2010, including the Series 2009A Bonds).

The Authority has designated the Series 2009A Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $30,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Series 2009A Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Series 2009A Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution that is allocable to the interest on the Series 2009A Bonds will be reduced by 20% pursuant to section 291 of the Code.

CERTAIN LEGAL MATTERS

The proceedings in connection with the issuance of the Series 2009 Bonds are subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority and the City by Best, Best & Krieger LLP and by Lofton & Jennings, San Francisco, California, Disclosure Counsel. Payment of the fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Series 2009 Bonds.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Series 2009 Bonds, the Authority and the City will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the City or the Authority threatened, against the City or the Authority in any material respect affecting the existence of the City or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the Series 2009 Bonds, the execution and delivery of the Trust Agreement, the Installment Sale Agreement or the payment of Installment Payments.

Various legal actions are pending against the City. The aggregate amount of the uninsured liabilities of the City that may result from all legal claims currently pending against it will not, in the opinion of the City, materially affect the City's finances or impair its ability to make Installment Payments under the Installment Sale Agreement.

FINANCIAL ADVISOR

Del Rio Advisors, LLC, Modesto, California, has served as Financial Advisor to the City with respect to the sale of the Series 2009 Bonds. The Financial Advisor has assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2009 Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Due to its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Series 2009 Bonds.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2009 Bonds or to any decision to purchase, hold or sell the Series 2009 Bonds and the Authority will not provide any such information. The City has undertaken all responsibilities of the Authority for any continuing disclosure to Holders of the Series 2009 Bonds as described below, and the Authority shall have no liability to the Holders of the Series 2009 Bonds of the Series 2009 Bonds or any other person with respect to S.E.C. Rule 15c2-12. The City has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the Series 2009 Bonds by not later seven months following the end of the City's Fiscal Year (which currently would be June 30) commencing with the report for the 2008-09 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by means of the Electronic Municipal Market Access (EMMA) site maintained by the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX D–"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The City has not failed in any material respect to file its Annual Reports in the last five years.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("S&P") [is expected to assign / has assigned] a rating of "___," to the Series 2009 Bonds, [with the understanding that upon delivery of the Series 2009 Bonds, the policy insuring payment when due of the principal of and interest on the Series 2009 Bonds will be issued by the Bond Insurer. See "FINANCIAL GUARANTY INSURANCE" and APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."] [S&P has also assigned an underlying rating of "__."] Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: Standard & Poor's Corporation, 55 Water Street, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency may have an adverse effect on the market price of the Series 2009 Bonds.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment, circumstances so warrant. The Authority, the City and the Trustee undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Series 2009 Bonds.

UNDERWRITING

The Series 2009 Bonds were purchased through negotiation by Southwest Securities Inc. (the "Underwriter"). The purchase contract pursuant to which the Underwriter is purchasing the Series 2009 Bonds provides that the Underwriter will purchase all of the Series 2009 Bonds if any are purchased. Under the terms of the purchase contract, the obligation of the Underwriter to make the purchase is subject to certain terms and conditions set forth in the purchase contract.

Series 2009A Bonds

The Underwriter purchased the Series 2009A Bonds at a price of $___________ (which represents the principal amount of the Series 2009A Bonds less an original issue discount in the amount of $___________ and less an underwriter's discount in the amount of $___________). The Underwriter may change the initial public offering prices set forth on the cover page. The Underwriter may offer and sell the Series 2009A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof.

Taxable 2009B Bonds

The Underwriter purchased the Taxable 2009B Bonds at a price of $___________ (which represents the principal amount of the Taxable 2009B Bonds plus an original issue premium in the amount of $___________ and less an underwriter's discount in the amount of $___________). The Underwriter may change the initial public offering prices set forth on the cover page. The Underwriter may offer and sell the Taxable 2009B Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority, the City and the Underwriter of the Series 2009 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the 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 Authority or the City since the date hereof.

Any references or summaries or explanations of the Trust Agreement, the Installment Sale Agreement, the Series 2009 Bonds, other documents and statutes contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Series 2009 Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the Series 2009 Bonds.

All information contained in this Official Statement pertaining to the Authority has been furnished by the City and the execution and delivery of this Official Statement has been duly authorized by the Authority.

WOODLAND FINANCE AUTHORITY

By:____________________
Mark G. Deven
Administrator

APPENDIX A

GENERAL, ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION CONCERNING THE CITY OF WOODLAND

Overview

The City of Woodland (the "City") is the county seat of Yolo County (the "County") and is located approximately 85 miles northeast of San Francisco and approximately 18 miles northwest of Sacramento at the intersection of Interstate 5 and State Route 113. The City has been the seat of government for the County since 1862 and is also the industrial and agricultural center of the County. The City encompasses approximately 14.5 square miles near the center of the California's Central Valley. Woodland enjoys a mean temperature of 61.5 degrees and an annual average rainfall of 17.28 inches.

The City has a diversified economic base that has its origins in agriculture. However, due to the proximity of the City to major transportation arteries (Interstate 5 and State Route 113), and major waterways, the City has also become increasingly important as a manufacturing and distribution center of products including, food processing, plastics, farm machinery and mobile homes.

City Government

The City was incorporated in 1871 and operates as a general law city as provided by the Constitution and laws of the State. The City is governed by a five-member City Council, each of whom is elected on a city-wide basis for four-year terms. Terms are staggered such that two council seats are open for election in one year with the other three seats open for election two years later. The City Council selects a Mayor every two years following the election and seating of new Councilmembers. The Councilmember who received the greatest number of votes in the most recent general municipal election at which councilmembers are elected is designated as the Mayor Pro Tempore, or Vice Mayor. Council elections are held in even-numbered years.

The City operates on a Council/Manager system of government. The City Council appoints the City Manager, who is responsible for daily administration of City affairs and preparation and submission of the annual budget under the direction of the Mayor and City Council. Members of the Council and key administrative personnel of the City are listed in Table A-1 and Table A-2, respectively:

Table A-1
City of Woodland
City Council Members

Member	Position	Term Expires
Marlin H. "Skip" Davies	Mayor	June 2010
Art Pimentel	Vice Mayor	June 2012
Martie L. Dote	Member	June 2012
William L. Marble	Member	June 2010
Jeff Monroe	Member	June 2012

Table A-2
City of Woodland
Key Administrative Personnel

Member	Position
Marlin H. "Skip" Davies	Mayor
Mark G. Deven	City Manager
Andrew Morris	City Attorney
Amber D'Amato	Finance Officer
Greg Meyer	Public Works Director
Sue Vannucci	Director of Administrative Services and City Clerk

The City provides a full range of services delegated to cities under State law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services. Budgeted City full-time employees number 328 for Fiscal Year 2009-10, all of whom are full-time permanent employees. Of the budgeted full-time employees, 88 are assigned to the Police Department and 52 to the Fire Department. Fire protection service is provided by the City, which has three stations within its borders.

Population

Between 2005 and 2009, the City's population increased by a total of 2,871 or approximately 5.8%. The City has experienced steady population growth since 2000, during this period it is estimated that population has grown by 4,532 or an annual average of approximately 1.6%. The City is the second most populous in the County. Table A-3 illustrates the population of the City, the County and the State of California (the "State") for 2000 and 2005 through 2009.

Table A-3
City, County and State Population
(As of January 1)

Year	City	Yolo County	State
2000(1)	48,850	167,400	33,753,000
2005	53,528	188,207	36,676,931
2006	53,179	191,072	37,086,191
2007	54,312	194,864	37,472,074
2008	55,657	198,3126	37,883,992
2009(2)	56,399	200,709	38,292,687

(1) Decennial Census.
(2) Preliminary.
Sources: U.S. Census Bureau for the decennial census. California State Department of Finance, E-4: Population Estimates for Cities, Counties and State, 2001-2009 with 2000 Benchmark.

Employment

Generally, over the past several years, the employment level in the City has grown and unemployment rates have declined. Table A-4 represents the average labor patterns in the City, the County, the State, and the United States from 2004 through 2008.

Table A-4
Estimates of Civilian Labor Force, Employment, and Unemployment
Civilian Labor Force, Employment, and Unemployment
2004 through 2008

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
2008				
City	29,000	26,500	2,500	8.7%
County	99,500	92,200	7,300	7.4
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2007				
City	28,600	26,700	2,000	6.8
County	98,500	92,900	5,600	5.7
State	18,078,000	17,108,700	969,300	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2006				
City	27,500	25,800	1,700	6.2
County	94,600	89,700	4,900	5.2
State	17,821,100	16,948,400	872,700	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2005				
City	27,000	25,200	1,800	6.6
County	92,900	87,700	5,200	5.6
State	17,629,200	16,671,900	957,200	5.4
United States	149,321,000	141,730,000	7,591,000	5.1
2004				
City	26,800	24,900	1,900	7.2
County	93,300	86,700	5,600	6.1
State	17,444,400	16,354,800	1,089,700	6.2
United States	147,401,000	139,252,000	8,149,000	5.5

Sources: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

Table A-5 represents the principal public and private employers in the City.

Table A-5
City of Woodland
Principal Employers
As of August 2009

Employer	Product/Service	Estimated Number of Employees
County of Yolo	Governmental Operations	2,280
Pacific Coast producers	Canning Manufacturer	
Woodland Healthcare	Health Services	1,000
Woodland Health center	Health Services	1,000
Target	Distribution Center	1,000
Walgreens	Distribution Center	700
City of Woodland	Local Government	328
Fleetwood Homes	Manufactured Housing	267
Silver Crest/Western Homes	Mobile Home Manufacturing	340
George Aoki Farm inc.	Farming	250
WalMart	Department Store	230

Source: *info*USA.com, a service of *info*GROUP™.

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Agriculture

The City's diversified economic base includes manufacturing, warehousing, retail and agriculture. Table A-6 lists the top 10 leading agricultural crops within the County for the past five calendar years.

Table A-6
County of Yolo
Ten Leading Crops for Calendar Years 2004 to 2008
($ in 000's)

Crop	2004	2005	2006	2007	2008
Processing Tomatoes	$86,111	$68,260	$77,097	$100,012	$105,125
Alfalfa Hay	36,753	36,242	30,368	51,958	73,406
Wine Grapes	33,341	41,967	38,047	46,513	42,006
Rice	40,768	28,248	23,918	32,836	54,793(1)
Seed Crops	21,278	21,413	28,767	31,952	34,840
Almonds	19,309	30,976	28,884	28,915	24,074
Organic Crops	13,693	13,914	14,498	19,476	21,742
Walnuts	11,437	21,748	18,547	18,872	16,221
Cattle and Calves	10,601	12,412	11,556	13,094	13,679
Wheat	12,948	7,738	(2)	12,179	21,718
Nursery Products	(2)	(2)	8,133	(2)	(2)
TOTAL 10 LEADING CROPS	249,152	286,239	282,918	269,795	407,604
Other Crops	55,368	51,889	49,802	100,401	119,726
TOTAL	$338,128	$332,720	$370,196	$453,539	$527,330
Percent Change	11.0%	(1.6%)	11.3%	22.5%	16.3%

(1) Included Federal Rice Payment.
(2) Was not among the top 10 leading crops for this year.
Source: Yolo County Department of Agriculture.

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The Industry Employment and Labor Force for the County are set forth in Table A-7.

Table A-7
County of Yolo
Industry Employment[1] and Labor Force
By Annual Average
March 2008 Benchmark

	2003	2004	2005	2006	2007[2]
Farm	4,200	3,800	3,800	4,100	4,400
Natural Resources and Mining	200	200	200	300	300
Construction	4,900	5,000	5,300	5,300	5,000
Manufacturing	5,800	6,100	6,600	6,600	5,800
Wholesale Trade	4,800	4,800	4,900	5,200	5,200
Retail Trade	7,100	6,800	6,900	7,200	7,900
Transportation, Warehousing, Utilities	7,300	7,700	7,700	7,700	7,900
Information	1,100	1,200	1,100	1,100	1,200
Financial Activities	3,300	3,400	3,700	3,900	4,200
Professional and Business Services	8,200	8,100	8,000	7,800	8,000
Educational and Health Services	5,800	6,000	6,200	6,200	6,700
Leisure and Hospitality	6,200	6,400	6,600	6,600	6,800
Other Services	1,900	1,900	1,800	1,800	2,000
Federal Government	3,700	3,700	3,800	2,500	2,300
State Government	22,000	22,700	23,000	23,200	24,200
Local Government	8,600	9,300	9,600	9,800	10,200
TOTAL ALL INDUSTRIES	95,000	96,900	99,200	99,100	101,700

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, and household domestic workers on strike. Columns may not total due to rounding.
(2) Most recent data available.

Source: State of California Employment Development Department, Labor Market Information Division.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

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Table A-8 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 2004 through 2008.

Table A-8
County of Yolo
Personal Income
Calendar Years 2004 through 2008†

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2008†		
County	N/A	N/A
State	$1,569,370	$42,696
United States	12,086,534	39,751
2007		
County	N/A	N/A
State	1,518,547	41,541
United States	11,645,882	38,611
2006		
County	6,097	31,990
State	1,436,446	39,626
United States	10,968,393	36,714
2005		
County	5,579	30,789
State	1,348,255	37,462
United States	10,284,356	34,757
2004		
County	5,509	29,623
State	1,265,970	35,440
United States	9,711,363	33,123

† Preliminary.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Construction

During Fiscal Year 2008-09, the City issued commercial permits with a valuation of over $33 million. This included construction of an the first phase of the two-phase Woodland Gateway, an approximately 525,000 square foot retail center located along Interstate 5 and County Road 102 in the [north eastern] section of the City. The first phase included the construction of Best Buy, Michael's, Famous Footwear, Pet Extreme, In-N-Out Burger and shell buildings for future retail and restaurant businesses. Commercial permits were also issued for construction outside Woodland Gateway for a new Rite Aid drug store and a Carl's Jr. fast food restaurant.

A five-year history of building permits and valuations is set forth in Table A-9.

Table A-9
City of Woodland
Building Permits and Valuations
Fiscal Years 2004-05 Through 2008-09
($ in 000's)

		Commercial Construction		Residential Construction		
Fiscal Year	Total Assessed Value	Number of Permits	Value	Number of Permits	New Dwelling Units	Value
2004-05	$3,771,873	25	$21,075	113	153	$19,721
2005-06	3,794,471	6[(1)]	22,254	362	380[(2)]	69,598[(4)]
2006-07	4,667,291	3	7,069	308	484[(3)(4)]	66,044[(4)]
2007-08	4,856,719	5	20,366	209	227[(3)]	39,679
2008-09[(1)]	4,701,684	9	33,106	188	209[(3)]	40,081

(1) Estimated.
(2) Represents new multifamily units.
(3) Represents single family homes and duplex units.
(4) Includes multifamily residential development.
Source: City of Woodland.

Transportation

The County has a well-developed transportation network which includes road, rail, and shipping services. Interstate 80, a transcontinental highway linking San Francisco with points east, is nine miles to the south of the City via State Route 113; and Interstate 5, a transcontinental North-South route, and State Routes 113 and 16 intersect in the City.

Southern Pacific/Union Pacific railroad crosses the County with its main line generally paralleling Interstate 80, with trunk lines running into adjoining counties. Union Pacific has connecting track from Sacramento to Woodland. Freight transportation is also provided by several intra-state and transcontinental trucking firms. Waterborne facilities are available through the Sacramento-Yolo Port District immediately to the south of the City. Ships can reach Sacramento from San Francisco Bay in less than eight hours.

The Sacramento Metropolitan Airport is located approximately 12 miles south of the City and is served by 18 scheduled passenger airlines as well as commuter carriers. Airline service is available to all principal cities on the West Coast as well as direct flights to other major cities in the United States.

Education and Community Services

Public school education is provided by the Woodland Joint Unified School District's three infant-toddler programs, eight pre-schools, 12 elementary schools (kindergarten through grade 8), two middle schools (grades 7 and 8), two senior high schools (grades 9 through 12), one continuation high school and one adult school. In addition, there are schools maintained by the County Superintendent of Schools for handicapped, Juvenile Court and occupational and vocational training students. There are also four religious schools offering elementary and secondary education.

Woodland Community College, a two year college within the Yuba Community College District, has a campus for 1,200 full-time and 1,800 part-time students within the City. It features a well regarded Vocational Nursing Program along with strong agri-business and business departments.

The University of California, Davis ("UC Davis") is located 10 miles to the south via State Route 113 on the Solano-Yolo County line in the northeast corner of Solano County. UC Davis is well known for its agricultural research. Originally a university farm, the campus developed into a four-year agricultural college in the 1920's and has since expanded into other fields, including engineering, law, medicine and veterinary medicine. The current enrollment at UC Davis is over 30,000 students.

Cultural facilities in the City and surrounding area include the Woodland Opera House, the Sacramento Community Center, the Sacramento Music Circus and the recently opened Mondavi Center on the U.C. Davis campus. The Carnegie City Library has space for approximately 100,000 volumes.

Local newspaper coverage is provided by the *Daily Democrat* which is published seven times a week. Financial institutions located in the City include eight banks and four savings and loans.

The Parks, Recreation and Community Services Department of the City maintains approximately 29 parks, including the approximately 40,000 square foot Community Center and Senior Center and Sports Complex (the "Community Center") the first phase of which opened on March 5, 2007.

The Community Center and consists of an approximately 40,000 square foot building on an approximately 44 acre site, that includes a gymnasium, professional kitchen, banquet facilities, a regulation lighted synthetic softball field and a synthetic soccer field. The Community Center includes an approximately 2,200 square foot youth center, featuring a media room and computer center, and an approximately 4,500 square foot senior center, that features social and recreational programs, as well as health, wellness and supportive services for seniors in the community, including the meals on wheels program and federal commodities distribution. The City's Parks, Recreation and Community Services Department offices are also located in this facility.

The approximately 460 acres of parkland offers a variety of recreational facilities which include a senior citizens center, a youth center, a gymnasium, two public swimming pools, athletic fields, and a facility for large meetings and activities.

The City operates its own police force and fire department. The police force has 64 sworn officers and support staff. An approximately 40,000 square foot police station, which was designed to accommodate the department through 2020. The fire department operates out of three fire stations and consists of 57 full time personnel (including administrative personnel) and a reserve force of nine.

Utilities

Pacific Gas & Electric Company ("PG&E") supplies natural gas and electricity service throughout the City. PG&E is one of the oldest utility companies in the State.

The Sacramento Municipal Utilities District ("SMUD") supplies electricity throughout Sacramento County, which is immediately adjacent to the County. The electrical rates of SMUD are among the lowest in the nation.

FINANCIAL INFORMATION

City Budget Process

The City's budget is developed on the basis of Generally Accepted Accounting Principles ("GAAP"), except for proprietary funds which budget for principal debt service; special revenue funds and capital projects funds, which are budgeted on a project basis.

The City follows these procedures in establishing its budgets:

- Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the Fiscal Year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

- Public meetings are conducted during June to obtain taxpayers comments.
- The budget is adopted by the City Council through passage of a minute order on or before June 30.

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds, and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor since Fiscal Years 20045-05 is Macias, Gini & O'Connell, Sacramento, California who was selected following a request for proposals process.

Within a reasonable period following the Fiscal Year end, the accountant submits the final audit to the City Council. The City then publishes the financial statements as of the close of the Fiscal Year.

Financial and Accounting Information

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The City's resources are accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into eight generic fund types within three broad fund categories as follows:

Major Funds

General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. The major revenue sources for this fund are property taxes, sales, unrestricted revenues from the State, fines and forfeitures, interest and income. Expenditures are made primarily for public safety, street maintenance and repair and other services not required to be accounted for in another fund.

Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds. Debt Service Funds are used to account for financial resources to be used for, and the payment of the principal of and interest on general long-term debt and related costs.

Proprietary Funds

Enterprise Funds. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent of the City is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates 10 enterprise funds: water, sewer, wastewater, pretreatment, storm drain, construction, demolition debris, transit, recycling and cemetery and fire training.

Internal Service Funds. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City funds on a cost-reimbursement basis. The City operates seven internal service funds.

Fiduciary Funds

Trust Funds. Trust Funds are used to account for assets held by the City in a trustee capacity under formal trust agreements.

Agency Funds. Agency Funds are used to account for assets held by the City or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting. All government funds and expendable trust and agency funds are accounted for using the modified accrual basis of accounting. These fund are recognized when they become measurable *and* available as net current assets. Taxpayer-assessed income, gross receipts and other taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is that principal and interest on general long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing principal and interest must be paid.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are incurred.

Sales tax revenues are the single largest revenue source to the General Fund representing approximately 34% of Fiscal Year 2009-10 revenues; followed by property taxes representing approximately 25%; Motor Vehicle in Lieu Fees (the "VLF"), representing approximately 11% and other taxes (including Measure E) representing approximately 7.0%. These four sources represented an aggregate of approximately 69% of General Fund Revenues for Fiscal Year 2008-09 (unaudited) and represent an aggregate of approximately 70% of the projected General Fund revenues in Fiscal Year 2009-10. For a discussion of potential State Budget impacts on General Fund Revenues, see "–State Budgets." For a discussion of sales tax revenues and property taxes, see "–Sales Tax" and "*–Ad Valorem Property Taxation*."

Investment Policy

The investment of funds of the City, including those funds established under the Trust Agreement and held by the City, are made in accordance with the investment policy of the City, developed by the City Treasurer, and approved by a resolution of the City Council on May 17, 2005 (the "Investment Policy") and Section 53600 *et seq*. of Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The Investment Policy is subject to revision at any time, and is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends. A complete copy of the current Investment Policy is attached as Appendix B.

The Investment Policy sets forth the following primary objectives, in order of priority:

1. Safety - preservation of capital.

2. Liquidity - funds shall be invested only until date of anticipated need or for a lesser period.

3. Yield - generation of a favorable return on investment without compromise of the first two objectives.

Authorized Investments. The City is empowered by State law to invest in certain "eligible securities" as defined in the California Government Code Sections 53601 *et seq.* and 53635 *et seq.* Authorized investments also include, in accordance with California Government Code Section 16429.1, investments in the State Local Agency Investment Fund ("LAIF"). The City does not enter into reverse repurchase agreements. Authorization for specific instruments within these general categories, include the following: U.S. Treasuries, Government Sponsored Corporations, Bankers Acceptances, Commercial Paper, Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements, Medium-term Corporate Notes/Bonds and Asset-Backed Securities.

Prohibited Investments. No investments will be authorized that have the possibility of returning a zero or negative yield if held to maturity. These will include inverse floaters, range notes, and interest only strips derived from a pool of mortgages. Other prohibited investments include any mortgage pass-through security or collateralized mortgage obligation, or other pay-through bond. Repurchase agreements executed with approved broker/dealers must be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value.

Delegation of Authority and Reporting. Management responsibility for the investment program is delegated to the City Treasurer. The City Treasurer is responsible for establishing written procedures for the operation of the investment program consistent with the investment policy, all transactions undertaken, and establishing a system of controls to regulate the activities of subordinate officials.

The City Treasurer is required to prepare and submit to the City Council, Mayor and City Manager a report at least each quarter. The report is to include a subsidiary ledger of the investment portfolio, detailing a review of transactions, security positions and performance indications. Such report will also include a statement denoting the degree of compliance with the investment policy and the City's ability to meet its expenditure requirements for the next six months.

Investment Policy Adoption. The City's investment policy is adopted annually by a resolution of the City Council. Any modifications made thereto must be approved by the City Council. A complete copy of the current Investment Policy is attached as APPENDIX B.

Summary of Current Investments. As of August 31, 2009, the portfolio had a weighted average maturity of 66 days and a current weighted average yield of __%. The following Table A-10 shows the type of investments and other information on the portfolio as of August 31, 2009.

Table A-10
City of Woodland
Portfolio Summary
As of August 31, 2009

Investment	Amortized Cost	Percent	Market Value	Maturity Value
Federal Agency Notes	$15,500,000.00	35.8%	$15,830,781.25	$15,500,000.00
LAIF	27,757,171.92	64.2	27,757,171.92	27,757,171.92
TOTAL INVESTMENTS	$43,257,171.92	100.00%	$43,587,953.17	$43,257,171.92

Source: City of Woodland Finance Department.

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General Fund Revenues and Expenditures

The City's Fiscal Year ends on June 30. Table A-11 summarizes revenues and expenditures for the General Fund for Fiscal Years 2005-06 through 2007-08 (audited) for Fiscal Year 2008-09 (unaudited) and for Fiscal Year 2009-10 (approved budget).

Table A-11
City of Woodland
Revenues and Expenditures
General Fund

	2005-06	2006-07	2007-08	Unaudited 2008-09	Adopted Budget 2009-10
REVENUES					
Taxes[†]	$23,213,558	$23,027,725	$24,588,894	$23,844,360	$23,699,623
Fines and penalties	362,997	754,274	568,543	374,845	623,329
Intergovernmental	4,487,938	4,760,550	4,709,718	4,882,036	4,571,415
Charges for services	6,198,657	6,209,334	7,427,912	5,919,900	5,571,563
Licenses and permits	4,263,630	4,724,621	4,527,163	4,365,937	3,923,965
Investment earnings	274,924	383,101	494,323	89,059	59,000
Miscellaneous	108,187	35,737	73,770	3,865	3,042
TOTAL REVENUES	38,909,891	39,895,342	42,390,323	39,480,002	38,451,937
EXPENDITURES					
General Government:					
City Council					
Personnel services	75,041	76,912	83,268	66,274	72,760
Supplies	91,610	157,607	161,146	153,537	119,074
Other services and charges	87,990	104,507	138,651	71,138	90,000
TOTAL CITY COUNCIL	254,641	339,026	383,065	290,949	281,834
City Clerk					
Personnel services	120,212	139,227	64,938	2,060	–
Supplies	19,676	17,655	18,804	11,354	44,063
Other services and charges	1,951	4,220	4,290	2,640	1,000
TOTAL CITY CLERK	141,839	161,102	88,032	16,054	45,063
City Attorney					
Other services and charges	301,137	251,679	420,971	465,001	502,000
City Manager/Human Resources					
Personnel services	783,236	842,197	754,023	887,859	696,788
Supplies	208,495	186,725	189,284	158,790	251,730
Other services and charges	14,255	31,460	24,937	16,168	92,046
TOTAL CITY MANAGER/HUMAN RESOURCES	1,005,986	1,060,382	968,244	1,062,817	1,040,564
TOTAL GENERAL GOVERNMENT	1,703,603	1,812,189	1,860,312	1,834,821	1,869,462
Finance					
Personnel services	663,654	683,656	758,988	774,443	525,887
Supplies	324,625	290,368	219,870	253,107	327,459
Other services and charges	50,609	43,148	31,089	7,809	8,750
TOTAL FINANCE	1,038,888	1,017,172	1,009,947	1,035,359	862,096
Community Development					
Personnel services	1,277,460	1,456,916	1,938,412	2,936,835	2,242,700
Supplies	582,359	582,359	597,546	687,489	410,854
Other services and charges	736,018	983,593	1,253,326	403,800	416,439
TOTAL COMMUNITY DEVELOPMENT	2,595,837	3,022,868	3,789,284	4,028,124	3,069,993

(Table continued on next page)

Table A-11
City of Woodland
Revenues and Expenditures
General Fund
(Continued)

	2005-06	2006-07	2007-08	Unaudited 2008-09	Adopted Budget 2009-10
Parks, Recreation and Community Services					
Personnel services	$2,468,897	$2,600,612	$2,969,912	$2,616,105	$1,939,227
Supplies	1,063,731	1,053,226	1,340,904	1,255,253	1,331,366
Other services and charges	373,075	639,671	336,542	281,766	318,543
TOTAL PARKS, RECREATION AND COMMUNITY SERVICES	3,905,703	4,293,509	4,647,358	4,153,124	3,589,136
Police					
Personnel services	9,038,110	9,839,495	10,670,268	10,649,246	10,257,681
Supplies	3,165,030	3,165,030	3,746,350	3,473,139	3,774,384
Other services and charges	711,283	1,189,084	779,603	577,853	540,179
TOTAL POLICE	12,914,423	14,193,609	15,196,221	14,700,238	14,572,244
Fire					
Personnel services	4,820,024	4,849,488	6,955,702	6,722,353	6,148,874
Supplies	1,179,258	1,179,258	1,350,877	1,328,418	1,345,636
Other services and charges	718,073	755,982	768,473	672,993	671,148
TOTAL FIRE	6,717,355	6,784,728	9,075,052	8,723,764	8,165,658
Library					
Personnel services	895,869	908,257	980,405	928,335	699,195
Supplies	261,432	261,432	279,767	260,748	244,963
Other services and charges	91,572	173,996	153,731	123,614	124,146
TOTAL LIBRARY	1,248,873	1,343,685	1,413,903	1,312,697	1,068,304
Public Works					
Personnel services	1,752,028	2,025,581	1,587,635	458,349	285,680
Supplies	526,998	526,998	754,245	595,316	645,612
Other services and charges	103,508	423,032	158,331	97,924	183,333
TOTAL PUBLIC WORKS	2,382,534	2,975,611	2,500,211	1,151,589	1,114,625
Debt Service	–	–	–	155,194	161,385
Principal	–	–	–	54,946	48,755
Interest and fiscal charges	32,507,216	35,795,396	39,702,428	37,149,856	34,521,657
TOTAL EXPENDITURES					
Excess of revenues over expenditures	6,402,675	4,099,946	2,687,895	2,330,146	3,930,280
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	–	–	505,276	–	–
Transfers in	82,071	202,293	1,038,377	153,977	388,378
Transfer out	(5,036,217)	(3,398,351)	(3,873,367)	(4,301,221)	(4,526,224)
TOTAL OTHER FINANCING SOURCES (USES)	(4,954,146)	(3,196,058)	(2,329,714)	(4,147,244)	(4,137,846)
Net change in fund balance	1,448,529	903,888	358,181	(1,817,098)	(207,566)
Fund balance, beginning of year	4,823,338	6,271,867	7,175,755	7,533,936	5,716,838
Fund balance, end of year	$6,271,867	$7,175,755	$7,533,936	$5,716,838	$5,509,271

† Includes voter approved local ½ cent sales taxes (Measure H that expired on June 30, 2006) and (Measure E that was approved in June 2006 and expires on October 31, 2018) collected a for various capital projects, excluding operations and maintenance. The Measure H sales tax collected in Fiscal Year 2005-06 was $4,049,446. The Measure E sales taxes collected in Fiscal Years 2006-07 through 2008-09 (unaudited) were $2,877,581, $4,163,290 and $3,867,254 and is projected to be $4,001,000 million for Fiscal Year 2009-10. See also "–Sales Tax."

Source: City of Woodland.

Management Discussion of Historic and Projected Financial Performance

Fiscal Year 2007-08. The budget for Fiscal Year 2007-08 was adopted by City Council on June 5, 2007, which included a structural imbalance of approximately $700,000 that was planned to be covered by budgetary savings from Fiscal Year 2006-07. Due to a significant decrease in permit fees and service charges related to development activity, as well as declining tax revenues and failure of a proposed rate increase for storm drain services, a mid-year budget change of $2.6 million was required. This level of reductions was achieved through freezing of vacant positions, limiting controllable service and supply expenditures and use of additional General Fund reserves.

Actual audited revenues for the City's General Fund were less than the mid-year adjusted budget by approximately $1.2 million, due almost entirely to worse than anticipated results in property and sales tax revenues. This shortfall was offset by additional savings in General Fund expenditures, receipt of some one-time revenues related to sales of City assets, and better than expected investment earnings. These factors resulted in a net positive operating impact to the General Fund of approximately $350,000.

Fiscal Year 2008-09. The budget for Fiscal Year 2008-09 was adopted by the City Council on June 10, 2008. The original operating budget for the General Fund was balanced, but required a reduction of close to $6.4 million from the Fiscal Year 2007-08 mid-year budget. This reduction was achieved through a combination of program reductions, elimination and/or reorganization of positions, reduction in discretionary expenditures, various revenue enhancements and use of one-time funds. Due to continued declines in the housing market and the worsening national and local recession, it was determined that the original revenue projections for the Fiscal Year 2008-09 budgets would not be attained. On February 17, 2008, the City Council approved a mid-year budget that further reduced operation costs by approximately $625,000, used contingency reserves of $1.4 million, and used fund balance of $700,000 to balance the reduction in revenues.

Preliminary, unaudited results for the City's General Fund for Fiscal Year 2008-09 show that revenues were under mid-year projections by approximately $500, 000, but this was offset by savings in operating costs in excess of mid-year estimates. These factors result in a net negative operating impact to the General Fund of approximately $1.8 million, which is less than the projected $2.1 million impact estimated at the mid-year budget.

Fiscal Year 2009-10. The budget for Fiscal Year 2009-10 was adopted by the City Council on June 16, 2009. After the departments determined their respective operating requirements, the City implemented approximately $7 million in reductions. The adopted Fiscal year 2009-10 General Fund budget balanced projected revenues and incoming transfers of $38.8 million with expenditure estimates and outgoing transfers of $39 million with minimal impact to fund balance of $200,000. The revenue estimates used for Fiscal Year 2009-10 assume the current trends related to the economic recession will continue throughout the Fiscal Year.

Revenue enhancements in the adopted Fiscal Year 2009-10 budget include implementation of a fee program for recovery of Fire Department costs from insurance companies, estimated increases in franchise fees as a result of current contract renegotiations, estimated increases in user fees for the Fire Inspection/Prevention program, and proceeds from the sale of City assets.

Expenditure reductions were achieved through employee concessions, staff reductions and program cuts. In addition to the hiring freeze instituted in Fiscal Year 2008-09, the City eliminated all vacant positions, which included a reduction in staffing for the Fire and Police Departments and other staff were reassigned/restructured to programs outside the General Fund. The various employee bargaining units agreed to forgo any COLA increases and to take 12 furlough days per year, resulting in an approximately 5% pay reduction. The City implemented an early retirement program for targeted departments; 12 employees participated. This loss of staff also facilitated significant program reductions/terminations in both the Library and Parks departments; other "non-essential" programs in the Fire and Police departments were also discontinued.

Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. The City's revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is principal and interest on general long-term debt, which is recognized when due. Some debts and obligations may be payable from self-supporting enterprises or revenue sources other than property taxation. Special assessment bonds are not included in the tabulation; lease revenue obligations payable from the General Fund or equivalent sources are included.

All proprietary funds are accounted for using the accrual basis for accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Receivables are recorded and determined at the time of consumption, and unbilled receivables are not recorded.

The audited combined financial statements of the City are also available upon request directed to the City Clerk's Office, 300 First Street, Woodland, California 95695 and may also be viewed online or downloaded at http://www.ci.woodland.org/gov/depts/adminsrvs/finance/admin/reports/default.asp .

State Budgets

Approximately 72% (consisting of the sales tax, property tax and the motor vehicle license fee) of the City's Fiscal Year 2009-10 General Fund Adopted Budget consists of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems.

The level of intergovernmental revenues that the City received from the State in Fiscal Year 2009-10 and in subsequent Fiscal Years are affected by the financial condition of the State.

The following information concerning the State's 2007-08 Fiscal Year budget, the Fiscal Year 2008-09 Budget and the Fiscal Year 2009-10 Budget has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The City believes such information to be reliable, however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

Fiscal Year 2007-08. The 2007-08 Budget Act (the "2007 State Budget Act") was adopted by the Legislature on August 21, 2007 and signed by the Governor, after using his line item veto authority to reduce State General Fund appropriations by $703 million, on August 24, 2007. The 2007 State Budget projected $102.3 billion in budget-year revenues, an increase of 6.5% from Fiscal Year 2006-07; authorized expenditures of an equal amount (an increase of 0.6% from Fiscal Year 2006-07); and left the State General Fund with a year-end reserve of $4.1 billion (the same as assumed for Fiscal Year 2006-07), comprised of $2.6 billion in the State's Special Fund for Economic Uncertainties and $1.5 billion in the Budget Stabilization Account, which Account was established when voters approved Proposition 58 in March 2004.

The 2007 State Budget Act proposed a major redirection of transportation funds, reductions in social services, and a variety of other actions to eliminate a significant shortfall in Fiscal Year 2007-08, including among other things, (i) increases in funding for county Medi-Cal administration costs; (ii) a partial repayment of Proposition 42 transportation suspensions that occurred in Fiscal Years 2003-04 and 2004-05 as required by Proposition 1A of 2004; (iii) an assumption that $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency will be received; and (iv) a suspension of a California Work Opportunity and Responsibility to Kids cost-of-living adjustment (a "COLA") for one year and permanently delays the State Supplemental Security income/State Supplementary Program COLA for five months.

Based on the policies contained in the 2007 State Budget Act, according the State Legislative Analyst's Office, the nonpartisan fiscal and policy advisor to the State, the State would face operating shortfalls of more than $5 billion in both Fiscal Year 2008-09 and Fiscal Year 2009-10 because many of the solutions enacted in the 2007 State Budget Act were of a one-time nature.

Fiscal Year 2008-09. The 2008-09 Budget Act (the "2008 State Budget Act") was adopted by the Legislature on September 16, 2008 and signed by the Governor on September 23, 2008, reflecting a reduction of $850 million from the proposed budget bill adopted by the Legislature due to the line item veto by the Governor of $510 million in State General Fund appropriations and $340 million in State General Fund savings due to the delay in enacting the 2008 State Budget Act and the effect of Executive Order S-09-08 (which terminated the services of temporary employees and reduced overtime).

The 2008-Budget Act reported that the State General Fund began Fiscal Year 2008-09 with a balance of $4 billion. The 2008 State Budget Act projected State General Fund revenues and transfers for Fiscal Year 2008-09 of $102 billion, a decrease of approximately 1% from the anticipated revenues and transfers for Fiscal Year 2007-08, and State General Fund expenditures of $103.4 billion, an increase of approximately 0.06% above the anticipated expenditures for Fiscal Year 2007-08. The 2008 State Budget Act projected ending Fiscal Year 2008-09 with a State General Fund balance of $2.6 billion, of which $885 million would be reserved for the liquidation of encumbrances and $1.7 billion would be deposited in a reserve for economic uncertainties.

The Governor's economic forecasts for Fiscal Year 2008-09 reflected weaker economic performance throughout the country and the State. The 2008 State Budget Act addressed a projected $24.3 billion budget shortfall which was identified in the Governor's May Revision to the Proposed 2008-09 Budget with a combination of cuts in expenditures and projections of increased revenues. The 2008 State Budget Act included vetoes on behalf of the Governor in the amount of $510 million of spending approved by the State legislature. The 2008 State Budget Act included a proposal to increase the Budget Stabilization Account (the "BSA") from 5% of State General Fund expenditures to 12.5%. In addition, the 2008 State Budget Act proposed an annual transfer to the BSA of 3% of the General Fund and the elimination of the ability to suspend such annual transfers. The State would only be permitted to transfer funds from the BSA if (1) actual revenues during such fiscal year are below a specified level and (2) funds transferred from the BSA to the State General Fund are appropriated in a stand-alone bill.

Certain of the features of the 2008 State Budget Act affecting local governments included the following:

1. The 2008 State Budget Act proposed to fully fund the Proposition 1A of 2004 loan repayment for Fiscal Year 2008-09 in the amount of $83 million and the Proposition 42 transfer in the amount of $1.4 billion, which allocation included $573 million to the State Transportation Improvement Program and $286 million to the Public Transportation Account.

2. The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 ("Proposition 1B") authorized $19.92 billion over the next nine years to fund existing and new Statewide transportation-related infrastructure programs and projects. Such amount included appropriations in Fiscal Year 2008-09 of $350 million for local transit, $250 million for local streets and roads, $201 million for the State & Local Partnership Program and $21 million for local seismic funding. In addition, AB 1252, enacted in June 2008, provided $149 million from Proposition lB to accelerate funding for local streets and roads projects.

3. Chapter 72 of the Statutes of 2005 requires the payment of mandated costs incurred prior to Fiscal Year 2004-05 to begin in Fiscal Year 2006-07 and paid over a term of fifteen years. The 2008 State Budget Act included the elimination of $75 million in estimated reimbursement claims. The 2008 State Budget Act delayed the third payment of these claims by one year. The 2008 State Budget Act projected that the mandated costs incurred prior to 2004-05 is $956 million.

4. The 2008 State Budget Act included a veto from the Governor reducing proposed Department of Social Services funding for the California Work Opportunity and Responsibility to Kids ("CalWORKs") program in the amount of $70 million. Prior to this veto, such funding would have been available to counties as part of their single allocation and available for county administration, employment services, and child care.

5. The 2008 State Budget Act permanently suspended provision of the June 2008 and June 2009 State Supplementary Payment program cost of living adjustment ("COLA"). The 2008 State Budget Act provided the State Director of Finance with mid-year authority to freeze the COLA, rate increases or increases in State participation in local costs for up to 120 days and require the Governor to submit urgency legislation to permanently suspend the COLA and other rate increases; provided, however, if the Governor fails to act within 120 days, or the State legislature fails to adopt the suspension, the COLA and other rate increases are reinstated.

6. The 2008 State Budget Act reflected savings to the State of $107.2 million, of which $53.4 million was attributed to the General Fund, in funding for counties to determine eligibility for Medi-Cal services.

7. The 2008 State Budget Act included $1.49 billion in Mental Health Services Act ("MHSA") funds for Proposition 63, of which $100 million was committed by counties to the MHSA Housing Program. This funding was in addition to $300 million identified by counties in Fiscal Year 2007-08. This program makes funding available through the California Housing Finance Agency to develop permanent supportive housing serving persons with serious mental illness who are homeless or at risk of homelessness.

8. The 2008 State Budget Act included a veto from the Governor, which reduced proposed funding for the Department of Social Services for County Administration and Automation Projects to $1,192,736,000 from $1,194,774,000. By eliminating funding for the Work Incentive Nutritional Supplement program in the amount of by $2,038,000, the Governor delayed implementation of this

program for one year in order to allow the Department of Social Services to study this program and ensure it is consistent with federal rules.

9. The 2008 State Budget Act included a veto from the Governor reducing proposed Department of Corrections funding for Adult Corrections and Rehabilitation Operations by approximately $28 million to approximately $4.9 billion.

Fiscal Year 2009-10. On February 20, 2009, the Governor signed into law the budget for Fiscal Year 2009-10 (the "2009 State Budget Act"). The 2009 State Budget Act proposes to address the State's projected $41 billion deficit and contains mid-year reductions to the 2008 State Budget Act.

The following are some of the major impacts of the 2009 State Budget Act on local governments throughout the State, including the City:

1. The 2009 State Budget Act includes deferrals of payments to counties for social services and transportation. For February, March and April 2009, monthly transfers of fuel excise tax allocations to cities and counties will be deferred. Payments are scheduled to resume and deferred payments will be paid in May 2009. The 2009 State Budget Act also authorizes two-month deferrals of health and social services payments to counties from July and August to September 2009. Counties are scheduled to receive deferred payments from the State by September 30, 2009. Counties with populations under 40,000 persons are exempt from the deferral of payments for social services.

2. The 2009 State Budget Act increases personal income tax liability by 0.25% in each personal income tax bracket, although the rate will drop to 0.125% if revenues from the ARRA reach $10 billion.

3. The 2009 State Budget Act increases the VLF rate from 0.65% to 1.15%, 0.15% of which will be dedicated to local public safety programs. The remaining 0.35% of the increase will be deposited into the State's General Fund. The 2009 State Budget Act also imposes a 0.65% rate on commercial vehicles effective May 19, 2009 through July 1, 2011 with a possible two-year extension under certain circumstances.

4. Under the 2009 State Budget Act, the State's portion of the sales and use taxes would increase by 1%, beginning April 1, 2009 through July 1, 2011, with a possible one-year extension under certain circumstances.

5. Generation of approximately $6 billion in revenues for Fiscal Year 2009-10 based on voter approval of three propositions on the ballot for the May 19, 2009 special election, including a proposed $5 billion borrowing from future lottery revenues (Proposition 1C). Each of these measures was defeated.

Impact of the American Recovery and Reinvestment Act of 2009 on the State. The 2009 State Budget Act also includes a number of reductions and revenues tied to the ARRA. Certain reductions to Ca1WORKS grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, in-home support services ("IHSS"), the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if expected revenues from the ARRA are certified by the Department of Finance to equal $10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the $10 billion target, the reductions would be permanent. If revenues from the ARRA reach $10 billion, the reductions would not go into effect. A future statute would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately $8 billion in federal economic stimulus funds, $2 billion short of what is required to prevent the cuts. The Department of Finance and the State Treasurer's Office are working with various interested entities to analyze the Department of Finance's preliminary estimates.

May Revision to the 2009 State Budget Act. On May 14, 2009, the Governor released the May Revision to the 2009 State Budget Act (together with the contingency proposals referenced therein, the "2009 May Revision"). The 2009 May Revision projected a budget gap of $21.3 billion through the remainder of Fiscal Year 2008-09 and Fiscal Year 2009-10 due to continued shortfalls in revenue collections and increased costs and the failure of five budget-related propositions included in the May 19, 2009 special election, which the 2009 May Revision proposed to address through program reductions and additional borrowings. The 2009 May Revision estimated Fiscal Year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.89 billion and a year-end deficit of $3.63 billion, which includes a $2.31 billion prior-year State General Fund balance, a $4.71 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009 May Revision projected Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $85.46 billion and a year-end surplus of 53.13 billion (net of the $3.63 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $2.05 billion would be deposited in a reserve for economic uncertainties. The 2009 May Revision indicated that the State's economic outlook included negative growth for calendar year 2009, followed by weak growth in calendar year 2010 and increased growth in calendar year 2011.

Features of the 2009 May Revision affecting local government included the following:

1. The 2009 May Revision proposed to reduce program expenditures by approximately $2.64 billion in Fiscal Year 2008-09 and $6.36 billion in Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKS, immigrant assistance programs, child welfare services and SSI/SSP.

2. The 2009 May Revision proposed that the State borrow 8% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately $2 billion, which amount would be repaid within three years, all in accordance with Proposition 1A of 2004. The manner in which the borrowing would be allocated (*i.e.,* the amount to be borrowed from particular local agencies), and whether the property taxes paid to local agencies by the State in-lieu of vehicle license fees and in-lieu of sales tax, remained subject to determination. The 2009 May Revision proposed to create a joint powers entity to allow local agencies to borrow against the State repayment as a group.

3. The 2009 May Revision proposed $750 million in reductions to the federal Medi-Cal program, subject to receipt of a federal waiver.

4. The 2009 May Revision proposed to redirect $60 million in cigarette and tobacco products surtax revenues from county health programs.

5. The 2009 May Revision proposed to change sentencing options for low-level offenders such that an offense that could be charged as a misdemeanor or felony would be punishable only by a term in county jail. The 2009 May Revision estimated that the State would save approximately $100 million from such shift. The potential impact of this proposal on counties is currently unknown as the details of the proposal have not yet been disclosed.

LAO May Overview of the 2009 May Revision. On May 21, 2009, the Legislative Analyst's Office, the State's nonpartisan fiscal and policy advisor (the "LAO") released an analysis of the 2009 May Revision entitled Overview of the 2009-10 May Revision (the "LAO 2009 May Overview"). The LAO 2009 May Overview stated that the economic and revenue forecasts and assessments of the State's budgetary problems set forth in the 2009 May Revision were generally reasonable in light of the effects of the economic slowdown throughout the United States, but indicated that State General Fund expenditures across Fiscal Year 2008-09 and Fiscal Year 2009-10 could exceed revenues by approximately $3 billion more than the amount estimated in the 2009 May Revision.

The LAO 2009 May Overview stated that the 2009 May Revision relied on a number of proposals that could return the budget to balance and result in a State General Fund reserve at the end of Fiscal Year 2009-10 of $2.1 billion, but that the largest proposals carried the largest risks. The LAO also noted that many of the proposals contained in the 2009 May Revision were one-time in nature and recommended that the State Legislature reduce its reliance on one-time measures, which could contribute to long-term negative effects for taxpayers and programs. The LAO 2009 May Overview set forth several budget recommendations for the State Legislature, including eliminating certain duplicative, inefficient, ineffective or over-budgeted education programs, borrowing additional transportation funds, increasing community college fees, reconsidering the dedication of certain vehicle license fees to local public safety programs, implementing additional user fees for government services, modifying the proposed property tax revenues borrowing to target specific agencies and reconsidering the use of revenue anticipation warrants for budget balancing and reserve building purposes, which, according to the LAO, sets a bad precedent and presents serious legal concerns.

The LAO 2009 May Overview stated that the State Legislature would face a significant challenge to address the projected budget deficit in Fiscal Year 2008-09 and projected revenue shortfalls in Fiscal Year 2009-10 and must pay particular attention to closing the State's ongoing structural mismatch between revenues and spending for future years. The LAO 2009 May Overview reiterated that the State Legislature should avoid proposed solutions that do not prioritize program reductions, add additional borrowing or debt and lead to a diminution of the State Legislature's authority.

Governor's Update to the 2009 May Revision. On May 26, 2009 and May 29, 2009, the Governor released updates to the 2009 May Revision (collectively, the "2009 May Revision Update"). The 2009 May Revision Update projected a budget deficit of $3.10 billion through the remainder of Fiscal Year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the May 19, 2009 special election ballot. The 2009 May Revision Update estimated Fiscal Year 2008-09 General Fund revenues and transfers of $85.95 billion, total General Fund expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which included a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009 May Revision Update projected Fiscal Year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $4.52 billion would be deposited in a reserve for economic uncertainties. The 2009 May Revision and the 2009 May Revision Update collectively included proposals to reduce State General Fund spending in the amount of $3.12 billion during the remainder of Fiscal Year 2008-09 and $20.85 billion during Fiscal Year 2009-10. The 2009 May Revision Update withdrew the Governor's 2009 May Revision proposal to issue revenue anticipation warrants in the amount of $5.6 billion to address a portion of the State General Fund deficit.

Features of the 2009 May Revision Update affecting local governments include the following:

1. The 2009 May Revision Update proposed to eliminate CalWORKS, which was expected to reduce State General Fund spending by approximately $1.31 billion in Fiscal Year 2009-10. In the event the State eliminated CalWORKS, federal matching funds for the program would be eliminated.

2. The 2009 May Revision Update proposed to eliminate General Fund expenditures for county programs relating to the Healthy Families Programs, Maternal, Child, and Adolescent Health,

Mental Health Managed Care Services and the Early and Periodic Screening, Diagnosis, and Treatment Services program. The proposals were expected to reduce General Fund expenditures by $424.2 million.

3. The 2009 May Revision Update proposed to reduce the local share of the gasoline tax from $1.05 billion to $300 million. Pursuant to this proposal, the State would apply the $750 million to pay current and prior year debt service on highway bonds.

Issuance of Registered Warrants. On June 24, 2009, the State Controller announced that the State would issue registered warrants ("IOUs") beginning July 2, 2009 to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payments for other State operations if immediate budget and cash solutions were not quickly adopted by the Governor and the State Legislature. The City has not determined the impact of the issuance of IOUs on the financial condition of the City at this time.

Amendment of the 2009 State Budget Act. On July 23, 2009 through July 24, 2009, State Legislature voted on, and passed, a majority of the budget solutions amending the 2009 State Budget Act to address the combined $60 billion budget deficit over Fiscal Years 2008-09 and 2009-10 that resulted from the deepening recession. The amendments included spending cuts, borrowing, redirecting revenues from local governments, accounting maneuvers, and a $921 million reserve.

On July 28, 2009, the Governor signed an amendment to the 2009 State Budget Act (the "Amended 2009 State Budget Act") to include an additional $24.2 billion in budget solutions to address the further deterioration of the fiscal situation of the State identified in the 2009 May Revision. Because the State Legislature did not adopt budget solutions that eliminated the entire projected deficit, the Governor used his veto power to eliminate an additional $489 million in spending, leaving the State with a $500 million reserve.

The $24.2 billion in budget solutions contained in the Amended 2009 State Budget include: (i) expenditure reductions of $8.5 billion from K-12 education and additional cuts to the State colleges and university systems (just under $2 billion total for Fiscal Year 2008-09 and Fiscal Year 2009-10); $785 million from the Department of Corrections, with specific program reforms to be determined upon the return of the State Legislature in August 2009, $1.7 billion from General Government, by suspending COLAs; leveraging State assets, consolidating and reorganizing boards and commissions ($50 million in Fiscal Year 2009-10) and IT procurement reform ($100 million); $820 million from State Employee Compensation by adopting third furlough day ($425 million), eliminating rural health care, and scoring health care savings; $3.0 billion from Health and Human Services by adopting long-term reforms to CalWORKs ($510 million in Fiscal Year 2009-10), changes and improvements to Medi-Cal eligibility and improved care coordination ($1.4 billion); reducing In-Home Supportive Services (IHSS) services for all but the most severely disabled and implementing anti-fraud initiatives ($264 million), funding to counties for Child Welfare Services ($80 million), changes to eligibility in the Healthy Families program and freezing of COLAs for IHSS and the Department of Developmental Services long-term care providers ($76 million) and elimination of funding for the Williamson Act Program which backfills property tax revenues that local governments forego when property is preserved for agriculture or open space uses; (ii) $1.0 billion in fund shifts , including a shift of redevelopment agency funds to schools ($1.7 billion) with the same amount of base school property tax shifted to the county-level Supplemental Revenue Augmentation Funds, from which $850 million will be used to fund courts, prisons, Medi-Cal, hospital, and K-12 school bond expenses that would otherwise be funded from the State General Fund and the remaining $850 million used to fund K-12 school costs offsetting Proposition 98 State General Fund costs; (iii) $3.5 billion in revenue augmentations, including optional personal income tax withholding changes; tax enforcement; permitting the State Compensation Insurance Fund (the "SCIF") to invest in bonds issued by the State Treasurer to raise cash, and special fund transfers; (iv) $2.2 billion in borrowing, including suspension of Proposition 1A of 2004 ($1.9 billion), a loan from the State Highway Account ($135 million) and various loans and fund shifts to keep State parks open; and (v) pushing the last State worker payday of the Fiscal Year from June 30, 2010, to July 1, 2010, the start of the next Fiscal Year ($1.4 billion).

The Amended 2009 State Budget Act reflects the harsh reality of diminished resources forced by the recession and the impact of the cuts are across the board. It expected that there will be a number of lawsuits by local governments resulting from the passage of the Amended 2009 State Budget Act over the suspension of Prop 1A of 2004, the redevelopment fund shift, securitization and other issues.

On July 28, 2009, the Governor announced that he will call a special session in late September for legislators to consider the recommendations of the Commission on the 21st Century Economy for overhauling the State's tax system.

City Responses to the Amended 2009 State Budget Act. Pursuant to Proposition 1A ("Proposition 1A of 2004") approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. Because the State choose to shift local government property tax revenues as allowed by Proposition 1A of 2004, the City will likely experience a reduction in its revenues in Fiscal Year 2009-10, as discussed below.

The City has estimated the potential effect of the State budget adopted in July, particularly the Proposition 1A of 2004 borrowing proposal. The City currently projects that up to approximately $1.325 million of its General Fund revenues in Fiscal Year 2009-10 may be subject to State suspension of Proposition 1A of 2004 as described below:

Table A-12
City of Woodland
General Fund Revenues Subject to State Suspension of Proposition 1A of 2004
Fiscal Year 2009-10

Component	Amount
8% Property Tax	$798,129
Sales Tax Triple Flip	194,260
Property Tax in Lieu of VLF	332,635
TOTAL	$1,325,024

Disruptions in payments to the City from the State, whether temporary or permanent, may require adjustments in the General Fund budget. Deferrals in State payments may jeopardize the City's ability to maintain core discretionary programs that could require suspension of such programs. As a result, the City has implemented fiscal policies to maintain a contingency reserve in an amount equal to 10% of annual expenditures (which for Fiscal Year 2009-10 equals approximately $3.9 million). Expenditure of amounts in the contingency reserve require approval by the City Council. In addition to the contingency reserve, the City expects approximately $1.2 million in unrestricted fund balance to be available. The contingency reserve and the unrestricted fund balance are expected to be sufficient to cover additional potential reductions due to State actions.

The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or the actions to be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. See also "–Management Discussion of Historic and Projected Financial Performance–Fiscal Year 2009-10" for a description of available City reserves.

Assessed Valuation

Ad Valorem Property Taxes.

Tax Levies, Collections and Delinquencies. City property taxes are assessed and collected by the County of Yolo (the "County") at the same time and on the same rolls as are County, school and special district property taxes. The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 1.5% of taxes collected for tax collection services provided in Fiscal Year 2009-10.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent, if not paid by December 10 and April 10, respectively. A 10% percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county's taxing boundaries.

Teeter Plan. The City is located within County of Yolo (the "County"), which is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan." The Law has authorized the use of the Teeter Plan for over 45 years.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes, special taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. A county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes, 100% of the total then-prior years' delinquent secured special taxes, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The valuation of property is determined as of January 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceed 3% of the total of all taxes and assessment levied on the secured rolls for that agency.

Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied without regard to actual collections in the City. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each County to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

In 1978, the voters of the State passed Proposition 8, a constitutional amendment to Article XIII A that allows a *temporary* reduction in assessed value when real property suffers a decline in value. A decline in value occurs when the *current market* value of real property is less than the *current assessed* (taxable) factored base year value as of the lien date, January 1.

For Fiscal Year 2009-10, the County Assessor reassessed the parcels within the County resulting in an aggregate reduction in assessed value of approximately $66,376,927.

For Fiscal Year 2009-10, the effect for the Proposition 8 temporary reassessments to the City is a reduction in the secured roll of $91,635,735 (-2.02%) The reduction in the unsecured roll is $61,842 (-024%). In Fiscal year 2009-10 the General Fund Budget, the City assumed that assessed value would decrease approximately 3% compared to the fiscal Year 2008-09 assessed value. See also "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS–Article XIII A of the California Constitution."

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

Effect of Delinquencies and Foreclosures on Property Tax Collections. As described under "*Ad Valorem Property Taxes*–Teeter Plan," once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest is required to be paid before the property can be transferred to a new owner.

Based on information provided by an independent data collection service, for calendar year 2008, mortgage holders had sent 690 notices of default with respect to properties located within the City compared to 436 during calendar year 2007, and 473 trustee deeds had been recorded (indicating that the property has been lost to foreclosure) during calendar year 2008 compared to 150 during calendar year 2007. During the first half (January through June) of calendar year 2009, mortgage holders sent 439 notices of default and recorded 168 trustee deeds compared to 395 notices of default sent and 237 trustee deeds recorded during the first half calendar year 2008. These events are related to the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In California, the greatest impacts to date are in regions of the Central Valley (such as San Joaquin County) and the Inland Empire in Southern California, where the largest number of new mortgages were originated as growth occurred within the County.

A summary of the notices of default sent and trustee deeds recorded for the City and the County for calendar years 2006 through 2008 is set forth in Table A-13.

Table A-13
City of Woodland and Yolo County
Summary of Foreclosure Activity
Calendar Years 2006 – 2008

	Notices of Default					Trustee Deeds (Foreclosures)				
	Calendar Year					Calendar Year				
		2007		2008			2007		2008	
	2006	Number	% Change	Number	% Change	2006	Number	% Change	Number	% Change
City	0	436	–	690	58.3	0	150	–	473	215.3
County	414	1,095	164.5	1,670	52.5	42	398	847.6	1,115	180.1

Source: MDA DataQuick Information.

The level of default and foreclosure activity is related to the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide and has resulted in downward pressure on home prices in the affected areas. Within the State, the greatest impacts to date are in regions of the Central Valley, including the City, the Inland Empire, and other areas in the State where the large numbers of new mortgages were originated in more affordable areas.

The increased level of default and foreclosure activity has resulted in downward pressure on home prices in the affected areas. In response, the City has continued to implement its aggressive collection activities that include mailing timely demand letters to delinquent property owners with follow up by a foreclosure attorney, if required.

Table A-14 represents a five-year history of assessed valuations in the City:

Table A-14
City of Woodland
Assessed Valuations
($ in $000's)

Fiscal Year	Secured	Unsecured	Utility[1]	Total	% Change
2005-06	$3,694,775	$199,198	$1,755	$3,895,727	15.0%
2006-07	4,174,329	204,739	1,742	4,380,810	12.5
2007-08	4,496,081	231,465	1,569	4,729,115	8.0
2008-09	4,602,561	252,589	1,569	4,795,499	1.4
2009-10[2]	4,449,706	250,409	1,569	4,703,253	(1.9)

(1) The City does not impose any utility taxes.
(2) Preliminary.
Source: Yolo County Assessor's Office.

A summary of the City's Fiscal Year 2009-10 largest secured taxpayers is presented in Table A-15 below:

Table A-15
City of Woodland
Top Ten Taxpayers
Fiscal Year 2009-10

Tax Payer	Type of Business	2009-10 Assessed Valuation	% Total Assessed Valuation
Walgreen Co.	Distribution Facility	$105,787,880	2.25%
Dayton Hudson Corp.	Distribution Facility	103,412,269	2.20
Pacific Coast Producers	Distribution Facility	61,311,472	1.30
Industrial Woodlands	Distribution Facility	44,984,579	0.96
Costco Wholesale	Retail	34,086,234	0.72
Woodland Development	Retail Developer	31,249,164	0.66
Payless Drug Stores	Retail	30,061,297	0.64
Autumn Run Investors	Real Estate Investment	26,534,310	0.56
TRT-DCT Hanson.	Real Estate Investment	25,802,586	0.55
Target	Retail	24,766,320	0.53
TOTAL TOP TEN		487,996,011	10.38
Others	Various	4,213,687,063	89.62
TOTAL		$4,701,683,174	100.00%

Source: Yolo County Assessor's Office.

Sales Tax

A sales tax is imposed on retail sale or consumption of personal property. Sales tax revenues are determined by the total taxable transactions within a jurisdiction and distributed by the State Board of Equalization to the jurisdiction where the sale took place. Sales taxes collected from merchants with no permanent place of business (*i.e.*, manufacturers, construction contractors, etc.) are accumulated to a Countywide or State-wide (out-of-state businesses) pool and distributed to cities and counties in proportion to their collections from all sales taxpayers.

In 1955, the State Legislature enacted the Bradley Burns Act which established a statewide rate for sales tax, allowed counties to enact sales taxes, capped cities' taxes at 1% and provided for collection by the State Board of Equalization. The City's 1% sales tax has historically been an important local revenue source. The City also imposes a 0.5% Special District Sales Tax, known as "Measure E (MSE)," that is transferred from the General Funds to the General City Capital Fund for capital projects. The authorization to collect the Measure E tax was approved in June 2006, and unless reauthorized, expires in October 2018. Since Measure E was approved, the City has collected in excess of $10.3 million.

The value and volume of these taxable transactions are in turn dependent on economic and other factors which will influence the City. Such factors include the level of inflation affecting the price of goods and services subject to the sales tax, the rate of population growth in the general area, the characteristics of retail developments, including the relative size of market service areas, the sensitivity of the types of businesses within the City to changes in the economy, and competing retail establishments outside the City. A deterioration of economic and other factors influencing taxable sales generated in the City, would reduce the level of taxable sales generated in the City, thereby reducing sales tax revenues. Table A-16 shows historical retail sales for certain businesses in the City.

Table A-16
City of Woodland
Taxable Retail Sales Data for Calendar Years 2003 to 2007
($ in 000's)

	2003	2004	2005	2006	2007†
RETAIL STORES					
Apparel Stores	13,036	11,772	12,302	11,694	11,516
General Merchandise	109,667	111,512	114,889	115,536	111,414
Food Stores	40,585	48,708	55,985	60,031	62,654
Eating & Drinking Places	45,410	48,982	50,557	54,515	54,821
Home Furnishings and Appliances	10,497	10,462	10,751	12,290	11,660
Building Materials and Farm Implements	112,984	133,942	143,739	120,189	76,516
Auto Dealers and Auto Supplies	96,067	93,843	97,656	83,838	91,929
Service Stations	33,904	38,691	46,509	54,445	58,007
Other Retail Stores	51,506	54,321	53,516	64,532	87,511
TOTAL RETAIL STORES	513,656	552,233	585,904	577,070	566,028
All Other Outlets	154,306	219,067	227,358	246,422	247,571
TOTAL ALL OUTLETS	667,962	771,300	813,262	823,492	813,599

Source: State Board of Equalization.

In August 2003, the State adopted legislation which cut the sales tax revenue to cities by half and redirected those revenues to repay State bonds issued to fund the State deficit (Triple Flip) (AB 7X, Revenue and Taxation Code §§7203, 6051.5). The legislation includes a requirement to repay the lost sales tax revenue with subsequent payments from local property taxes taken to establish the Education Revenue Augmentation Fund (the "ERAF").

The Triple Flip statute provides that the cities will later receive an additional amount of property tax equal to the reduction in sales tax revenues. The sales tax reduction will be 0.25% of the 1% the City now receives pursuant to the language included in the voter approved Proposition 57, which authorized the issuance of State deficit bonds.

Motor Vehicle License Fees

General. Vehicle license fees are assessed in the amount of 2% of a vehicle's depreciation market value for the privilege of operating a vehicle on California's public highways. A program to offset (or reduce) a portion of the vehicle license fees ("VLF") paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of $3.95 billion in the fiscal year 2003-04. Beginning in fiscal year 2004-05, the State-local agencies agreement will permanently reduce the VLF rate to 0.65% and eliminate the General Fund offset program.

In connection with the offset of the VLF, the Legislature authorized appropriations from the State General Fund to "backfill" the offset so that the local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged. In June 2003, the Director of Finance under the Davis Administration ordered the suspension of VLF offsets due to a determination that insufficient General Fund moneys would be available for this purpose, and, beginning in October 2003, VLF paid by vehicle owners were restored to the 1998 level. However, the offset suspension was rescinded by Governor Schwarzenegger on November 17, 2003, and offset payments to local governments resumed. Local governments received "backfill" payments totaling $3.80 billion in Fiscal Year 2002-03. "Backfill" payments totaling $2.65 billion were expected to be paid to local governments in fiscal year 2003-04. The State-local agreement also provides for the repayment in August 2006 of approximately $1.2 billion that was not received by local governments during the time period between the suspension of the offsets and the implementation of higher fees. This repayment obligation is codified by Proposition 1A, which was approved by the voters in the November 2004 General Election. For a description of Proposition 1A, see "CONSTITUTIONAL AND STATUTORY LIMITATION ON TAXES, REVENUES AND APPROPRIATIONS–*Proposition 1A.*"

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Table A-17 sets forth the Motor Vehicle in Lieu Fees received by the City for the last five Fiscal Years and the estimated amount to be received in Fiscal Year 2009-10.

Table A-17
City of Woodland
Motor Vehicle in Lieu Fees
Fiscal Years 2004-05 through 2008-09 and Estimated for Fiscal Year 2009-10

Fiscal Year	Motor Vehicle In Lieu Fee
2004-05	3,555,241
2005-06	3,513,565
2006-07	3,750,505
2007-08	4,048,696
2008-09	4,157,941
2009-10	4,033,203†

† Adopted Budget.
Source: City of Woodland.

Retirement Programs

The following information concerning the California Public Employees' Retirement System ("PERS") is excerpted from publicly available sources, which the City believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Series 2009 Bonds and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza Complex, 400 Q Street, Sacramento, California 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.

General. The City provides retirement benefits to all full-time City employees through a contract with PERS, a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments.

PERS maintains two pension plans for the City, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The City contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the City who are eligible under PERS.

Funding Policy. The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuations delivered to the City in fall 2008 with respect to both the Safety Plan and the Miscellaneous Plan, covered PERS' Fiscal Year ended June 30, 2007). The actuarial valuations express the required contribution rates for the City in percentages of payroll, which percentages the City contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the City's contribution rates derived from the actuarial valuation as of June 30, 2007, which was prepared in fall 2008, will be in effect during the City's Fiscal Year 2009-10). PERS rules require the City to implement the actuary's recommended rates.

In calculating the annual required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the unfunded accrued actuarial liability (the “UAAL”). The normal cost represents the actuarial present value of benefits that the City will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that the City will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits earned through the valuation date by retirees and active employees. The UAAL is based on several assumptions such as, among others, the rate of investment return, life expectancy, age of retirement, inflation, salary increases and disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, prospective investors are encouraged to consider the UAAL as an estimate of the unfunded actuarial present value of the benefits that the City will fund under the PERS Plans to retirees and active employees upon their retirement and not as a fixed or hard expression of the liability the City owes to PERS under the PERS Plans.

In each actuarial valuation, the PERS actuary calculates the actuarial value of the assets (the “Actuarial Value”) of the PERS Plans at the end of the Fiscal Year (which assumes, among other things, that the actuarial rate of return during that Fiscal Year equaled the applicable assumed rate of return of 7.75%). The PERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. As described below, these policies were significantly changed in April 2005, thus affecting the Actuarial Value calculations for Fiscal Year 2006-07 and thereafter.

On April 21, 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows:

- The annual assumed investment return has decreased from 8.25% to 7.75%.
- The long term salary increase assumption has decreased from 3.75% to 3.25%.
- The inflation component of individual salary scales has decreased from 3.75% to 3.25%.

In April 2005, the PERS Board approved changes in its actuarial to help reduce volatility in employer contributions rates. The changes included amortizing gains and losses over a rolling 30-year period; moving from a three-year to a 15-year smoothing methodology; revising the expected value “corridor” limit for establishing the actuarial value of assets to not less than 80% or more than 120%; and creation of a stabilization fund.

Complete updated inflation and actuarial assumptions can be obtained by contacting PERS at the address shown above.

Pursuant to PERS actuarial policies, the City combined all amortization bases into a single base equal to the aggregate unfunded liability/surplus of the City (a “Fresh Start”). Under this policy, the Fresh Start base is determined by the Chief Actuary of PERS in a manner that best satisfies PERS policy to provide for the elimination of unfunded liabilities or amortization of surpluses in a manner that maintains security for the members of PERS while minimizing substantial variations in employer contribution rates.

On June 16, 2004, PERS approved the request of the City for a Fresh Start 25-year amortization of the PERS unfunded liability for the Safety Plan. Application of the Fresh Start amortization resulted in the contribution rates of the City being reduced from 39.500% to 32.870% for the Safety Plan.

Funding Status. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. As of June 30, 2007, the actuarial value of the assets in each of the Safety Plan and the Miscellaneous Plan was approximately $592.3 million and $434.9 million, respectively. As a result, even if the market rate of return of the assets in the PERS Plans is above the actuarial assumed rate of 7.75% in future Fiscal Years, the actuarial practice of smoothing losses over several years may cause the investment rate of return for actuarial purposes to be less than the market rate of return. If the market rate of return is lower than the assumed rate, the PERS Plans will realize a loss for actuarial purposes, but, ordinarily, this actuarial loss will be smoothed such that the PERS Plans would only be impacted by one-fifteenth of that loss in one Fiscal Year. However, PERS has a policy that the difference between market value and actuarial value cannot exceed 120%.

The investment return in Fiscal Year 2006-07 was -2.5%.

Recent Developments–PERS - Decline in Investment Return. Recent developments in the financial markets have resulted in a decline in investment return for Fiscal Year 2007-08. As indicated above, in calculating the UAAL in an actuarial valuation, the PERS actuary assumes an investment return equal to 7.75%. The actual investment return for Fiscal Year 2007-08, net of expenses, was negative 5.1%. Employer contribution rates are affected by the investment return in a given Fiscal Year in the third Fiscal Year that follows. Therefore, the negative 5.1% return for Fiscal Year 2007-08 will first be reflected in employer contribution rates applicable for Fiscal Year 2010-11. However, PERS had achieved investment returns in each of the four fiscal years prior to Fiscal Year 2007-08 which exceeded the assumed rate of investment return. Through PERS smoothing of investment returns, these previous positive returns will cushion the impact that the losses will have on employer contribution rates in the Fiscal Year 2010-11. As of June 30, 2007, with the asset smoothing method, PERS had set aside approximately 14% of the stabilization fund created by PERS in 2005. The negative 5.1% return for Fiscal Year 2007-08, approximately 12.9% less than the 7.75% expected rate of return, utilizes most of the stabilization fund. Therefore, investment returns lower than the 7.75% expected rate of return in subsequent Fiscal Years will produce a significantly greater impact on employer contribution rates in subsequent Fiscal Years. However, the extent of such impact is not yet known.

Historical Funding Status. Active members in the Safety and Miscellaneous Plans were required 13% and 8%, respectively, of their annual covered salary. The City is required to contribute at an actuarially determined rate necessary to fund the benefits for its members. The required employer contribution rates for Fiscal Year 2008-09 were 19.016% for Safety Plan employees and 15.346% for Miscellaneous Plan employees. The required contribution rates for Fiscal Year 2009-10 are 19.496% for Safety Plan employees and 14.718% for Miscellaneous Plan employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and is subject to amendment by PERS.

PERS uses the Entry Age Normal Actuarial Cost Method, which is a projected benefit cost method. This method takes into account those benefits that are expected to be earned in the future as well as those already accrued. Accordingly, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from the date of employment until retirement. PERS uses a modification of the Entry Age Normal Actuarial Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. For Fiscal Year 2007-08, the City's annual pension cost of $4,830,130, was equal to its required and actual contributions.

Table A-18A and A-18B set forth the UAAL, and the total employer contributions made by the City, for the Safety Plan and the Miscellaneous Plan, respectively, for Fiscal Years 2005-06 through 2009-10 based upon the PERS Actuarial Reports prepared as of June 30, 2003 through June 30, 2007.

Table A-18A
Historical Funding Status
(Safety Plan)

Actuarial Valuation Date June 30,	UAAL(1)	Funded Ratio	Affects City Contribution for Fiscal Year	City Contribution Amount(2)
2003	$49,737,206	92.7%	2005-06	$1,314,078
2004	54,400,487	86.2	2006-07	1,573,864
2005	60,594,034	87.1	2007-08	1,488,608
2006	66,068,633	86.6	2008-09	1,732,613
2007	71,838,593	87.3	2009-10	1,873,810

(1) Negative UAAL represents excess assets.
(2) Indicated amounts are those amounts paid by the City to PERS in the indicated years and do not reflect all amounts paid by the City under the Miscellaneous Plan or otherwise.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

The following table sets forth estimates for the Fiscal Years 2001-02 through 2005-06 the amount of the total employer contributions made by the City, the UAAL and the funded ratio of the Miscellaneous Plan as of the actuarial valuation dates June 30, 1999 through 2003 based on the PERS Actuarial Reports for those years.

Table A-18B
Historical Funding Status
(Miscellaneous Plan)

Actuarial Valuation Date June 30,	UAAL(1)	Funded Ratio	Affects City Contribution for Fiscal Year	City Contribution Amount(2)
2003	$2,554,510	94.0%	2005-06	$1,282,143
2004	5,936,609	87.8	2006-07	1,424,529
2005	8,159,693	85.0	2007-08	1,687,160
2006	9,461,210	84.1	2008-09	1,898,491
2007	9,259,608	85.5	2009-10	1,983,248

(1) Negative UAAL represents excess assets.
(2) Indicated amounts are those amounts paid by the City to PERS in the indicated years and do not reflect all amounts paid by the City under the Safety Plan or otherwise.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

Table A-18 shows the percentage of salary which the City was responsible for contributing to PERS from Fiscal Year 2005-06 through Fiscal Year 2008-09 and the percentage projected for Fiscal Year 2009-10 to satisfy its retirement funding obligations. The City made the contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

Table A-19
Schedule of Employer Contribution Rates

		Safety Plan			Miscellaneous Plan		
Actuarial Report for Fiscal Year Ended	Affects Contribution Rate for Fiscal Year	Employer Normal	Unfunded Rate	Total	Employer Normal	Unfunded Rate	Total
6/30/2003	2005-06	13.656%	5.130%	18.786%	9.846%	3.315%	13.161%
6/30/2004	2006-07	13.646	7.116	20.762	10.227	4.405	14.632
6/30/2005	2007-08	11.726	5.988	17.714	10.001	4.811	14.812
6/30/2006	2008-09	12.317	6.699	19.016	10.254	5.092	15.346
6/30/2007	2009-10†	12.717	6.779	19.496†	10.203	4.515	14.718†

† Projected.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

Set forth in Table A-20A and Table A-20B is five year historical funding progress information for each of the Plans. The values presented below represent actuarial values (which differs from market value).

Table A-20A
PERS Funding History
(Safety Plan)

				Funded Ratios			
Valuation Date (June 30)	Entry Age Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (a-b)	Actuarial Asset Value (b/a)	Market Value	Annual Covered Payroll (c)	Unfunded (Overfunded) Liability as % of Payroll (a-b/c)
2003	$49,737,206	$46,111,643	$3,625,563	92.7%	N/A	$6,355,042	57.1%
2004	56,354,886	48,636,257	7,718,629	86.2	84.9%	6,938,630	111.2
2005	60,594,034	52,756,483	7,837,551	87.1	89.7	7,634,882	102.7
2006	66,068,633	57,201,339	8,867,294	86.6	91.9	8,277,938	107.1
2007	71,838,593	62,689,398	9,149,195	87.3	101.3	8,732,026	104.8

Sources: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

Table A-20B
PERS Funding History
(Miscellaneous Plan)

				Funded Ratios			
Valuation Date (June 30)	Entry Age Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (a-b)	Actuarial Asset Value (b/a)	Market Value	Annual Covered Payroll (c)	(Overfunded) Liability as % of Payroll (a-b/c)
2003	$42,768,341	$40,213,831	$2,554,510	94.0%	N/A	$8,851,009	28.9%
2004	48,590,279	42,653,670	5,936,609	87.8	86.4	8,844,961	67.1
2005	54,349,780	46,190,087	8,159,693	85.0	87.6	10,348,269	78.9
2006	59,341,525	49,880,315	9,461,210	84.1	89.4	11,239,374	84.2
2007	63,804,355	54,544,747	9,259,608	85.5	99.6	12,242,335	75.6

Sources: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

Prospects. From June 30, 2000 to June 30, 2003, as a result of lower-than-expected rates of investment returns, PERS has experienced significant losses. In the actuarial valuation as of June 30, 2002, which was used for the required contribution rates for Fiscal Year 2004-05, the full effect of these actuarial losses was not reflected in the City's required contribution rates because asset losses were smoothed, substantially reducing the impact of the low investment return. But as of June 30, 2003, the actuarial loss had increased to such a level that the City was required to pay the entire normal cost payment plus a portion of the UAAL that resulted.

Beginning with the June 30, 2004 actuarial valuation rate stabilization methodologies were implemented to reduce rate volatility due to actual gains and losses by approximately 50%.

The PERS actuary, in the June 30, 2007 actuarial valuation, determined that the City contribution rate under the Safety Plan for the Fiscal Year 2009-10 will be 21.361%, reflecting normal costs equal to 19.053% and amortization of a portion of the UAAL equal to 2.308%. PERS also projected that the Fiscal Year 2010-11 contribution rate will be approximately 21.2% assuming there are no amendments to the plan and no liability gains or losses (such as larger than expected pay increases, higher retirements, etc.). There have been no projections completed by PERS beyond Fiscal Year 2010-11 and the City makes no representations as to the level of future contribution rates.

The PERS actuary, in the June 30, 2007 actuarial valuation, determined that the City's contribution rate under the Miscellaneous Plan for the Fiscal Year 2009-10 will be 13.084%, reflecting normal costs equal to 10.871% and amortization of a portion of the UAAL equal to 2.213%. PERS also projected that the Fiscal Year 2010-11 contribution rate will be approximately 12.9% assuming there are no amendments to the plan and no liability gains or losses (such as larger than expected pay increases, higher retirements, etc.). There have been no projections completed by PERS beyond Fiscal Year 2010-11 and the City makes no representations as to the level of future contribution rates.

Risk Management

The City manages risk by participating in a ten-member public agency risk pool which is known as the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA). YCPARMIA was formed in 1979 to develop an effective risk management program to reduce the amount and frequency of losses by pooling the agencies' self-insurance losses and jointly purchasing excess insurance. A risk manager was hired to administer the YCPARMIA program. YCPARMIA provides workers' compensation insurance coverage up to $145,000,000 above the City's self insurance limit of $1,000 per occurrence, general and auto liability coverage of $40,000,000, above the City's self insurance limit of $5,000 per occurrence, boiler and machinery insurance up to $100,000,000, above the City's deductible of $1,000 per claim, and property damage insurance up to $527,409,849, above the City's deductible of $1,000 for vehicles, and $1,000 per other occurrence. The City is not insured for earthquake damage.

YCPARMIA is a joint exercise of powers agency governed by a board consisting of representatives from member public agencies. The board controls the operations of YCPARMIA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. During Fiscal Year 2008-09, the City contributed $958,159 for coverage.

The City provides for the uninsured portion of the claims and judgments in the Self-Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portions of these claims.

Labor Relations

City employees are represented by eight labor unions and associations, identified in Table A-21. Currently approximately 99% of City employees are represented by unions, with the General Services Bargaining Unit, which represents approximately 42% of all City employees being the largest. The City has never experienced an employee work stoppage.

Table A-21
City of Woodland
Labor Relations
(As of June 30, 2009)

Employee Organization/ Bargaining Unit	Number of Employees	Contract Termination Date
General Services	136	2010
Police Officers/CSO	69	2012
Fire Fighters	42	2012
Police Sergeants	9	2012
Police Mid-Management	4	2012
Fire Mid-Management	5	2010
General Mid-Management	49	2010
Confidential	4	2010
TOTAL	318	

Source: City of Woodland Human Resources.

Health Insurance

The City provides health benefits to certain employees and their dependents for medical, dental and vision care. For Fiscal Years 2006-07, 2007-08 and 2008-09, the City paid premiums in the amount of $2,578,655, $3,209,518 and $3,125,636, respectively. Each employee and dependent is covered by a life insurance policy and the employee also is covered by a long-term disability policy.

The life insurance benefits are based upon the bargaining unit to which the employee is associated. Life insurance benefits following retirement are continued at the same benefit level and conditions as active employees except that after age 65 a reduction to 65% is instituted. In Fiscal Years 2006-07, 2007-08 and 2008-09, the City paid premiums in the amount of $180,551, $184,406 and $173,949, respectively.

Post Employment Benefits

The City provides post-retirement health care benefits to employees based upon the bargaining unit contracts. Substantially all of the employees of the City may become eligible for these benefits. The cost of the premiums associated with these benefits is recognized on a pay-as-you-go basis when the City makes the payment. The number of employees, retirees and PERS survivors (for which the City makes a payment) participating in this benefit program and the contributions made by the County are set forth below.

Table A-22
City of Woodland
Post Employment Benefit Summary

Fiscal Year (As of June 30)	Number of Participating Retirees(1)	City Contribution ($ in 000's)
2005	155	$1,012,123
2006	155	1,161,306
2007	171	1,310,831
2008	171	1,669,170
2009	190(2)	1,825,000(2)

(1) Includes retirees and dependents receiving benefits.
(2) Estimated.
Sources: City of Woodland Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 2005 through 2008 and City of Woodland Human Resources for the Fiscal Year Ended June 30, 2009.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements became effective for the City's Fiscal Year ending June 30, 2009.

GASB 45 is likely to result in a substantial increase in the annual expense recognized by the City for post-retirement health care benefits. If those expenses are not funded as determined by an actuary, a substantial liability will accumulate over time and will be reported on the statement of net assets.

The City retained the services of Demsey, Filliger & Associates, an independent actuary, to determine the extent of the City's OPEB liability. In an actuarial analysis delivered to the City dated December 22, 2006, the actuary estimated actuarial liability for current and future retirees to be $49,035,550 as of July 1, 2005, representing the present value of all benefits (the "PVFB") expected to be paid by the City for its 155 retirees, covered dependents and survivors and the 319 active employees expected to retire and receive benefits in the future, at an assumed 6% discount rate per annum.

The PVFB is comprised of the past service liability (the "Accrued Liability") in the amount of $33,468,305 as of July 1, 2005, of which $18,163,021 is attributable to retirees and $15,305,284 is attributable to active employees. The Accrued Liability represents the present value of all benefits earned to date assuming that an employee earns retiree medical benefits ratably over their career. Because the City currently has no fund set aside for the retiree benefits, the Unfunded Accrued Liability (the "UAL") which is the Accrued Liability less the assets, is also equal to $33,468,305.

GASB 45 also requires the calculation of an Annual Required Contribution (the "ARC") which consists of the normal cost and a not greater than 30 year amortization of the UAL for the post-retirement health benefits. However, there is no requirement under GASB 45 that the ARC actually be funded. This UAL is calculated as the AL *less* any assets held for the plan.

For fiscal years beginning after December 15, 2006, GASB 45 requires that these post-retirement medical plan liabilities be recognized on an accounting basis, if there are no dedicated assets or funding arrangements. The City was not required to implement this standard until Fiscal Year 2008-09. The City has issued a request for proposals for actuarial services to determine the Fiscal Year 2008-09 ARC. An updated actuarial analysis of the City's OPEB liability as of January 1, 2009 was prepared by Bickmore Risk Services & Consulting (the "2009 Actuarial Report"). The actuary estimated the accumulated post-employment benefit obligation (the "APBO") as of January 1, 2009 for all participants (*i.e.* active participating and non-participating employees and retires) under the current contribution schedule. The 2009 Actuarial Report was prepared assuming 530 participants comprised of: 260 active (participating) employees, 76 active (not currently participating) employees and 194 retirees.

The 2009 Actuarial Report provides financial results for annual contributions to be made by the City depending upon the elects to pre-fund liabilities and if so, whether the City elects to amortize the past service liability and the method of amortization (*i.e.* on a level percent of pay or level dollar basis).

Table A-22A shows the minimum contribution alternatives amortized over a 30-year period for the Actuarial Present Value of Projected Benefits (the "APVPB") and the Actuarial Accrued Liability (the "AAL"), the ARC, the expected UAAL and the expected net contribution to be made by the City in Fiscal Year 2008-09, calculated (i) at a discount rate of 4.5% (reflecting the current pay-as-you-go ("PAYGO") funding method), (ii) at a discount rate of 7.75% (assuming amortization at a level percent of pay), and (iii) at a discount rate of 7.75% (assuming amortization at a level dollar amount). Table A22-B shows the normal costs and ARC calculated using the same actuarial assumptions.

Table A-23A
City of Woodland
Post Employment Health Benefits Plan
Minimum Contribution Alternatives
APVPB and AAL as of January 1, 2009

	APVPB @ 4.5% Level % of Pay (PAYGO)	APVPB @ 7.75% Level % of Pay (Prefunding)	APVPB @ 7.75% Level Dollar (Prefunding)
Amortization Period (in Years)	30	30	30
Present Value of Projected Benefits (APVPB)			
Active Employees			
Participating	$43,350,056	$20,106,975	$20,106,975
Not Currently Participating	11,383,463	5,628,839	5,628,839
Retirees	29,782,246	20,773,765	20,773,765
TOTAL APVPB	$84,515,765	$46,509,579	$46,509,579
Actuarial Accrued Liability			
Active Employees			
Participating	20,317,585	11,829,460	11,829,460
Not Currently Participating	5,693,067	3,347,588	3,347,588
Retirees	29,782,246	20,773,765	20,773,765
TOTAL AAL	55,792,898	35,950,813	35,950,813
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	55,792,898	35,950,813	35,950,813
Annual Required Contribution (ARC)			
Normal Cost	2,489,897	1,181,965	1,181,965
Amortization of UAAL	2,202,342	2,079,793	2,894,105
Interest to June 30, 2009	102,968	122,304	152,838
TOTAL ARC	4,795,207	3,384,062	4,228,908
Additional Payment expected toward UAAL	0	0	0
Expected Net Employer Contribution For Fiscal Year 2008-09	1,541,102	3,384,062	4,228,908
Net OPEB Obligation at July 1, 2008†	0	0	0
Expected Net OPEB Obligation (Asset) At June 30, 2009	3,254,105	0	0

† Assumes adoption of GASB 45 for Fiscal Year 2008-09. The net OPEB obligation is $0 at the start of the first fiscal year in which GASB 45 is adopted with prospective application.
Source: Bickmore Risk Services & Consulting.

Table A-23B
City of Woodland
Post Employment Health Benefits Plan
Minimum Contribution Alternatives
Calculation of Normal Cost and ARC
as of January 1, 2009

	APVPB @ 4.5% Level % of Pay (PAYGO)	APVPB @ 7.75% Level % of Pay (Prefunding)	APVPB @ 7.75% Level Dollar (Prefunding)
Normal Cost as % of Payroll	11.6%	5.5%	5.5%
ARC as a % of Payroll	22.3	15.8	10.7
ARC per Active Employee	$14,271	$10,072	$12,586

Source: Bickmore Risk Services & Consulting.

Table A-23A shows other contribution alternatives amortized over 10- and one year periods for the APVPB, the AAL, the ARC, the expected UAAL and the expected net contribution to be made by the City in Fiscal Year 2008-09, calculated (i) at a discount rate of 7.75% (assuming amortization at a level percent of pay), and (ii) at a discount rate of 7.75% (assuming amortization at a level dollar amount). Table A23-B shows the normal costs and ARC calculated using the same actuarial assumptions.

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Table A-24A
City of Woodland
Post Employment Health Benefits Plan
Minimum Contribution Alternatives
APVPB and AAL as of January 1, 2009

	APVPB @ 4.5% Level % of Pay (PAYGO)	APVPB @ 7.75% Level % of Pay (Prefunding)	APVPB @ 7.75% Level Dollar (Prefunding)
Amortization Period (in Years)	10	10	1
Present Value of Projected Benefits (APVPB)			
Active Employees			
Participating	$20,106,975	$20,106,975	$20,106,975
Not Currently Participating	5,628,839	5,628,839	5,628,839
Retirees	20,773,765	20,773,765	20,773,765
TOTAL APVPB	46,509,579	46,509,579	46,509,579
Actuarial Accrued Liability			
Active Employees			
Participating	11,829,460	11,829,460	11,829,460
Not Currently Participating	3,347,588	3,347,588	3,347,588
Retirees	20,773,765	20,773,765	20,773,765
TOTAL AAL	35,950,813	35,950,813	35,950,813
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	35,950,813	35,950,813	35,950,813
Annual Required Contribution (ARC)			
Normal Cost	1,181,965	1,181,965	1,181,965
Amortization of UAAL	4,323,404	4,916,448	35,950,813
Interest to June 30, 2009	206,432	228,669	1,392,346
TOTAL ARC	5,711,801	6,327,081	38,525,124
Additional Payment expected toward UAAL	0	0	0
Expected Net Employer Contribution For Fiscal Year 2008-09	5,711,801	6,327,081	38,525,124
Net OPEB Obligation at July 1, 2008†	0	0	0
Expected Net OPEB Obligation (Asset) At June 30, 2009	0	0	0

† Assumes adoption of GASB 45 for Fiscal Year 2008-09. The net OPEB obligation is $0 at the start of the first fiscal year in which GASB 45 is adopted with prospective application.

Source: Bickmore Risk Services & Consulting.

Table A-24B
City of Woodland
Post Employment Health Benefits Plan
Calculation of Normal Cost and ARC
as of January 1, 2009

	APVPB @ 7.75% Level % of Pay (Prefunding)	APVPB @ 7.75% Level % of Pay (Prefunding)	APVPB @ 7.75% Level Dollar (Prefunding)
Normal Cost as % of Payroll	505%	5.5%	5.5%
ARC as a % of Payroll	26.6	29.5	179.5
ARC per Active Employee	$16,999	$13,939	$114,658

Source: Bickmore Risk Services & Consulting.

Long-Term General Fund Obligations

The City has never defaulted on the payment of principal of or interest on any of its indebtedness. Table A-24 summarizes the general fund obligations of the City.

No General Obligation Bonds. The City does not have any authorized but unissued general fund obligation debt outstanding.

Lease Obligations. The City has made use of various lease arrangements with private and public financing entities, nonprofit corporations and authorities for the use and acquisition of capital assets. These capital lease obligations had terms ranging from six to 11 years. The longest capital lease terminates in 2011.

Certain of these Lease obligations of the City reflect annual payments made for debt service on lease revenue bonds and certificates of participation (collectively, the "Marketable Leases") issued to finance capital projects. As of June 30, 2009, the maximum annual debt service on all of the City's long-term lease obligations, excluding the Series 2009 Bonds, is $6,759,891.

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Table A-25
City of Woodland
Long-Term General Fund Obligations
(As of June 30, 2009)

Issuer	Issue	Original Principal Amount	Outstanding Principal Amount	Maturity Date
City of Woodland	1992 Wastewater Certificates of Participation	$17,335,000	$2,460,000	March 1, 2012†
Woodland Finance Authority	Lease Revenue Bonds (2007 Capital Projects)	10,350,000	8,690,000	March 1, 2019
Woodland Finance Authority	Lease Revenue Bonds (2005 Capital Projects)	20,390,000	19,060,000	March 1, 2026
Woodland Finance Authority	Lease Revenue Bonds (Refunding and 2002 Capital Projects)	33,215,000	21,260,000	March 1, 2032
Woodland Finance Authority	Wastewater Revenue Bonds (Second Senior Lien), Series 2005	17,635,000	17,635,000	March 1, 2035
Woodland Finance Authority	Water Revenue Bonds	9,250,000	9,170,000	December 1, 2033
California Energy Commission	Energy Conservation Assistance Program	1,829,756	1,274,544.87	June 22, 2016

† Reflects the advance refunding and defeasance in 2002 with a portion of the proceeds of the $33,215,000 original principal amount of woodland Finance Authority Lease Revenue Bonds (Refunding and 2002 Capital Projects) of the bonds maturing March 1, 2018.

Source: City of Woodland

Direct and Overlapping Debt

Table A-26 below sets forth a statement of direct and overlapping debt (the "Debt Report") within the City as of October 1, 2009. The Debt Report was prepared by California Municipal Statistics, Inc. and includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The City takes no responsibility for its completeness or accuracy. Any questions concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc., San Francisco, California.

Table A-26
City of Woodland
Direct and Overlapping Debt Statement

2008-09 Assessed Valuation:	$4,856,719,318
Redevelopment Incremental Valuation:	143,849,952
Adjusted Assessed Valuation:	$4,712,869,366

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/09	
Yuba Joint Community College District	18.147%	$16,934,113	
Woodland Joint Unified School District	81.040	25,146,712	
City of Woodland Community Facilities District No. 1	100.	14,225,000	
City of Woodland Community Facilities District No. 2004-1	100.	30,775,000	
City of Woodland 1915 Act Bonds	100.	7,525,000	
California State Development Authority 1915 Act Bonds	100.	4,195,425	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$98,801,250	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Yolo County Certificates of Participation	27.531%	$ 1,018,647	
Yolo County Board of Education Certificates of Participation	27.531	2,091,996	
Woodland Joint Unified School District Certificates of Participation	81.040	4,177,612	
City of Woodland General Fund Obligations	**100.**	**49,010,000**	(1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$56,298,255	
COMBINED TOTAL DEBT		$155,099,505	(2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:
Total Overlapping Tax and Assessment Debt .... 2.03 %

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($49,010,000) 1.04%
Combined Total Debt... 3.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

No Planned Future Long-Term Financings

The City may from time to time issue additional obligations secured by the General Fund, however, the City does not anticipate issuing any lease revenue bonds, certificates of participation or other long-term indebtedness that would be payable from General Fund revenues in the next two Fiscal Years.

APPENDIX B

CITY OF WOODLAND INVESTMENT POLICY

CITY OF WOODLAND
INVESTMENT POLICY

POLICY: It is the policy of the City of Woodland to maximize the productive use of assets entrusted to its care and to invest and manage those public funds wisely and circumspectly. The surplus funds shall be invested in accordance with the provisions of Article 1 and 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (53600-53997). Unless otherwise noted, all section references are to the California Government Code.

SCOPE: This investment policy applies to the City of Woodland's Surplus Funds, as defined by Section 536-1. Surplus Funds means those funds which are not required for the City of Woodland's immediate necessities as defined in Section 53601.

BACKGROUND & ANALYSIS:

1.0 **PURPOSE**: The Investment Policy is designed to provide guidelines for the prudent investment of the City's surplus funds.

2.0 **GOAL**: The goal of the Investment Policy is to enhance the economic status of the City while prudently protecting its pooled cash and also complying with this investment policy and California Government Code Sections 53600 through 53659, which governs investments for municipal governments. Although pursuit of interest earnings on investment is an appropriate City goal, the primary consideration is preservation of capital resources. Thus, the City's yield objective is to achieve a reasonable rate of return rather than the maximum generation of income that might expose the City to unacceptable levels of risk.

3.0 **OBJECTIVE**: The City shall attempt to invest funds to the fullest extent possible and at the highest possible yield while satisfying the criteria for investment selection outlined below.

4.0 **INVESTMENT POLICY**:
The City has the fiduciary responsibility to maximize the productive use of assets entrusted to its care and to invest and manage those public funds wisely and circumspectly. In determining individual investment placements, the following factors shall be considered in priority order: safety, liquidity, and yield.

4.1 **SAFETY**:
Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest rate risk as summarized below.

4.1.1 **CREDIT RISK** – This is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

4.1.1.1 Limiting investment to the safest types of securities;

4.1.1.2 Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the City will do business;

4.1.1.3 Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

4.1.2 **INTEREST RATE RISK** – This is the risk that the market value of securities in the portfolio will fall due to changes in the general interest rates. Interest rate risk may be mitigated by:

4.1.2.1 Structuring the investment portfolio such that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;

4.1.2.2 Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

4.2 **LIQUIDITY:**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with the cash needs to meet anticipated demands. A portion of the portfolio should be placed in local government investment pools (such as LAIF), which offer same-day liquidity for short-term funds.

4.3 **YIELD:**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk of constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Securities shall not be sold prior to maturity with the following exceptions:

4.3.1 A declining credit security, which could be sold early to minimize loss of principal;

4.3.2 A security swap, which would improve the quality, yield, or target duration of the portfolio;

4.3.3 A capital gain that would be realized to better position the overall portfolio to achieve investment policy goals.

5.0 **STANDARDS**:

5.1 **RESPONSIBILITY**:

The City Treasurer (as well as other City employees delegated by her) acting in accordance with written procedures and this investment policy and excising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely basis and the liquidity and the purchase of securities are carried out in accordance with the terms of this policy. The City Treasurer and her staff shall recognize that the investment portfolio is subject to public review and evaluation.

5.1.1 Cash Review – the Treasurer or her delegate will review the cash balances and the investment portfolio daily, or as needed; items reviewed should include: bank account balances, maturing investments, debt service and other large periodic cash disbursements.

5.2 **PRUDENT INVESTOR STANDARD**: The City Treasurer and such employees as she may direct to make investments (see Section 5.4) are subject to the prudent investor standard set out under Section 53600.3. The City Treasurer or her delegate, acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments, as defined in Section 53600.3.1.

5.3 **GOVERNMENT CODE**:

Government Code Sections 16481.2, 53601, 53635, and 53646 of the State of California regulate the investment policies of jurisdictions within the State. The City of Woodland will adhere to these provisions in developing and implementing the City's investment policies and practices.

5.4 **ETHICS AND CONFLICT OF INTEREST**:

Officers and employees involved in the investment process shall not engage in any activity that would conflict with the proper execution of this investment policy, create the appearance of such a conflict, or would impair the City Treasurer's ability to make impartial investment decisions.

5.5 **DELEGATION OF AUTHORITY**:

Authority to manage the investment program is granted to the City Treasurer. Under the oversight of the City Treasurer, responsibility of the operation of the investment program may be delegated to other staff who shall act in accordance with established written procedures and internal controls consistent with the investment policy.

5.6 **INTERNAL CONTROL**:

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

5.6.1 Control of collusion

5.6.2 Separation of transaction authority from accounting and record keeping

5.6.3 Custodial safekeeping

5.6.4 Clear delegation of authority to subordinate staff members

5.6.5 Written confirmation of transactions for investments and wire transfers including settlement dates, amount of transaction, safekeeping account number and CUSIP number if applicable.

5.6.6 Development of a wire transfer agreement with the lead bank and third-party custodian.

6.0. **SCOPE:**

This investment policy shall apply to all financial assets of the City of Woodland, including, but not limited to:

6.1 General Fund

6.2 Special Revenue Funds

6.3 Capital Projects Funds

6.4 Debt Service Funds

6.5 Enterprise Funds

6.6 Internal Service Funds

6.7 Trust and Agency Funds

6.8 Redevelopment Funds

6.9 Public Financing Authority Funds

7.0 **SAFEKEEPING AND CUSTODY**:

7.1 **SELECTION OF ELIGIBLE FINANCIAL INSTITUTIONS:**

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

7.1.1 Audited financial statement (annually)

7.1.2 Proof of National Association of Securities Dealers (NASD) certification

7.1.3 Proof of state registration

7.1.4 Certification of having read, understood and agreed to comply with the City's investment policy. These documents shall be provided annually as appropriate. In selecting financial institutions for deposit or investment of funds, the authorized Investment Officers shall consider the credit-worthiness of the institution.

7.2 **BROKER/DEALERS**:

7.2.1 Investments must be purchased directly from the issuer, from an institution licensed by the State as a broker/dealer, from a member of a federally regulated securities exchange, or from a brokerage firm designed as a primary government dealer by the Federal Reserve Bank.

7.2.2 The City Treasurer will maintain a file of broker/dealers with which the City is currently doing business, which will include (at minimum) the firm name, contact person, telephone number, fax number, e-mail address, and annual audited financial statements (as applicable).

7.3 **DELIVERY VS. PAYMENT**:
All trades, where applicable, will be executed by delivery vs. payment to ensure that securities are deposited prior to the release of funds. To protect against potential losses by collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under terms of a custody agreement executed between the bank and the City.

7.4 **COLLATERALIZATION**:
Collateral is required for investments in non-negotiable certificates of deposit. In order to reduce market risk, the collateral level shall be at least 110% of market value of principal and interest and marked to market weekly. Securities acceptable as collateral shall be the direct obligations of, or are fully guaranteed as to principal and interest, by the United States or any agency of the United States.

8.0 **AUTHORIZED INVESTMENTS**:

Investment of City funds is governed by the California Government Code Sections 53600 et seq. Within the context of such limitations, the following investments are authorized:

8.1 **UNITED STATES TREASURY BILLS, BONDS, AND NOTES** or those for which the full faith and credit of the United States are pledged for payment of principal and interest.

8.2 **STATE OF CALIFORNIA OBLIGATIONS**-including bonds payable solely out of the revenues from a revenue-producing property operated by the State of California or by a department, board, agency, or authority of the state.

8.3 **FEDERAL AGENCY OBLIGATIONS** – enterprise obligations, participations or other instruments including those issued or fully guaranteed as to principal and interest by the Federal Government agencies; (e.g. Government National Mortgage Association (GNMA), the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)).

8.4 **NEGOTIABLE CERTIFICATES OF DEPOSIT** –issued by nationally or state chartered banks, state or federal savings institutions (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the cost value of the portfolio.

8.5 **LOCAL AGENCY INVESTMENT FUND (LAIF)** – As authorized in Government Code Section 16429.1, local agencies may invest in the Local Agency Investment Fund, a money market fund, which allows local agencies to pool their investment resources. Current policies of LAIF set minimum and maximum amounts of monies that may be invested as well as maximum numbers of transactions that are allowed per month.

8.6 **CA LOCAL AGENCY OBLIGATIONS** – bonds, notes, warrants or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property, owned controlled, or operated by the local agency, or by a department, board, agency or authority of the local agency.

8.7 **CERTIFICATE OF DEPOSIT (CD***)* - Purchased through a bank or savings and loan association for a specified period of time at a specified rate of interest. The first $100,000 of a certificate of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC). CD's with a face value in excess of $100,000 will be collateralized by U.S. Treasury Department securities, which must be at least 110% of the face value of the CD. No other collateralization will be accepted.

8.8 **MEDIUM TERM CORPORATE NOTES** with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated AA or better by Moody's and Standard & Poor's volatility risk rating services.

8.9 **MONEY MARKET MUTUAL FUNDS** - Mutual funds invested in U.S. Government securities are permitted under this policy and under the California Government Code Section 53601. In order to be eligible for investment under this section, an investment objective of such a fund must be the maintenance of a price per share of $1.00. The following criteria must also be met:

8.7.1 The fund shall have a minimum of $500 million in total portfolio value.

8.7.2 The fund shall be registered with the Securities and Exchange Commission, and shall have achieved a rating of AAA by Moody's and AAA by S&P.

8.7.3 The fund shall have retained an advisor which is registered with the SEC, or which is exempt from such registration, and has at least 5 years experience managing money market funds, including those in excess of $500 million.

9.0 INVESTMENT PARAMETERS:

9.1 DIVERSIFICATION:

The City of Woodland will diversify its Investments by security type and institution and the City will select maturities to provide for stability of income and liquidity. Diversification strategies shall be determined and revised periodically. In establishing specific diversification strategies, the following policies and constraints shall apply:

9.1.1 Portfolio maturities shall be matched against liabilities to avoid undue concentration in a specific maturity sector.

9.1.2 Maturities selected shall provide for stability of income and liquidity.

9.1.3 Disbursement and payroll dates shall be covered through LAIF, marketable U.S. Treasury bills or other cash equivalent instruments such as money market mutual funds which will ensure that appropriate liquidity is maintained.

9.2 MAXIMUM MATURITIES:

In order to minimize the impact of market risk, it is intended that all investments will be held to maturity. Investments may be sold prior to maturity for cash flow, appreciation purposes or in order to limit losses, however, no investment shall be made based solely on earnings anticipated from capital gains. To the extent possible, the City shall attempt to match its investments to anticipated cash flow requirements. The City will not invest in securities maturing more than 5 years from the date of purchase. The City may adopt weighted average maturity limitations (2 years) consistent with investment objectives.

9.3 PROHIBITED INVESTMENTS AND DIVESTMENT:

The City Treasurer shall not make any investment prohibited under Article 1 or 2 of Chapter 4 of the California Government Code (see e.g. Section 53601.6 and 53631.5). Investments authorized when made, but no longer permitted by applicable law, may be divested from the City of Woodland's portfolio in accordance with the investment statement, investment objectives and prudent investor standard.

9.4 TAX and REVENUE ANTICIPATION NOTES (TRANS):

Government Code Section 53821.5 prohibits the investment of TRAN proceeds in securities that have terms exceeding those of the TRAN itself. The TRAN proceeds can be invested in items that have no specific term to maturity as long as the proceeds can be removed within the period of the TRAN without a penalty.

10.0 **REPORTING**:

10.1 **METHODS**:

The City Treasurer shall prepare quarterly investment reports to the City Manager and City Council which shall include the:

10.1.1 par amount of the investment,
10.1.2 classification of the investment,
10.1.3 percentage of the total portfolio, which each type of investment represents, name of the institution or entity,
10.1.4 rate of interest,
10.1.5 maturity date,
10.1.6 current market value,
10.1.7 reports shall also include a statement that the projected cash flow is adequate to meet expected obligations over the next six months, and that the portfolio is in compliance with this policy. The report shall be due approximately 45 days from the end of the month being reported.

10.2 **PERFORMANCE STANDARDS**:

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow need. The portfolio shall be managed in accordance with the parameters specified within this policy; a market average rate of return will be obtained during a market/economic environment of stable interest rates. An appropriate benchmark of the 90-day U.S. Treasury bill shall be established against which portfolio performance shall be compared.

10.3 **MARKING TO MARKET**:

The market value of the portfolio shall be calculated at least yearly and a statement of the market value of the portfolio shall be issued at least quarterly with the investment report.

11.0 **INVESTMENT POLICY ADOPTION**:

The Investment Policy shall be adopted by minute action of the City Council of the City of Woodland. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the City Council.

GLOSSARY

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

CALIFORNIA POOLED INVESTMENT AUTHORITY (CPIA) –this investment pool is managed by MBIA-Municipal Investors Service Corporation, an investment subsidiary of MBIA, Inc

Certificate of Deposit - A document written by a bank or other financial institution that is evidence of a deposit, with the issuer's promise to return the deposit plus earnings at a specified interest rate within a specified time period.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality - The measurement of the financial strength of a bond issuer. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. Fed funds are considered to be immediately available funds.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate."

Internal Controls - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity - An asset that can be converted easily and quickly into cash.

Local Agency Investment Fund (LAIF) - An investment pool for local governments in which their money pooled and managed by the California State Controller's Office.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, and federal funds).

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments.

Mutual Fund Statistical Services - Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

Par - Face value or principal value of a bond, typically $1,000 per bond.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prudent Investor Standard - An investment standard outlining the fiduciary responsibilities of public funds

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000.

"***Volatility Risk" Rating*** - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds.

Weighted Average Maturity (WAM) - The average maturity of all the securities that comprise a portfolio.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION
Series 2009A Bonds

[Closing Date]

Members of the Board
Woodland Finance Authority
300 First Street
Woodland, California 95695

Re: Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien), Series 2009A
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Woodland Finance Authority (the "Authority") of $__________ aggregate principal amount of its Wastewater Revenue Bonds (Second Senior Lien), Series 2009A (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (the "Act") (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of the Trust Agreement, dated November 1, 2005, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement, dated November 1, 2009, between the Authority and the Trustee (collectively, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the City contained in the Trust Agreement, the Installment Sale Contract, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Installment Sale Agreement and the Trust Agreement; to perform the other agreements on its part contained in the Trust Agreement; and to issue the Bonds.

2. The Trust Agreement has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority.

3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Installment Sale Agreement, to the extent more particularly described in the Trust Agreement.

4. The execution of the First Supplemental Trust Agreement has been duly authorized by the Authority in accordance with the Trust Agreement. The aggregate principal amount of Bonds issued under the Trust Agreement does not exceed any limitation imposed by law or by any Supplemental Trust Agreement. The Installment Sale Agreement, including the First Supplemental Purchase Contract, has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the City, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the City, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

7. The obligation of the City to make Installment Payments pursuant to the Installment Sale Agreement does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

8. Interest on the Bonds is excludable from gross income 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; nor is such interest taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences, arising with respect to the accrual or receipt of interest on, or the ownership or disposition of the Bonds.

9. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Bonds and the enforceability of the Bonds, the Installment Sale Agreement, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Installment Sale Agreement under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Installment Sale Agreement.

e. We undertake no responsibility for the accuracy, completeness, or fairness of any offering materials relating to the Bonds and express no opinion herein with respect thereto.

f. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

PROPOSED FORM OF BOND COUNSEL OPINION
Series 2009B Bonds

[Closing Date]

Members of the Board
Woodland Finance Authority
300 First Street
Woodland, California 95695

Re: Woodland Finance Authority
Wastewater Revenue Bonds (Second Senior Lien), Series 2009B
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Woodland Finance Authority (the "Authority") of $__________ aggregate principal amount of its Wastewater Revenue Bonds (Second Senior Lien), Series 2009B (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (the "Act") (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of the Trust Agreement, dated November 1, 2005, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement, dated November 1, 2009, between the Authority and the Trustee (collectively, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the City contained in the Trust Agreement, the Installment Sale Agreement, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Installment Sale Agreement and the Trust Agreement; to perform the other agreements on its part contained in the Trust Agreement; and to issue the Bonds.

2. The Trust Agreement has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority.

3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Installment Sale Agreement, to the extent more particularly described in the Trust Agreement.

4. The execution of the First Supplemental Trust Agreement has been duly authorized by the Authority in accordance with the Trust Agreement. The aggregate principal amount of Bonds issued under the Trust Agreement does not exceed any limitation imposed by law or by any Supplemental Trust Agreement. The Installment Sale Agreement, including the First Supplemental Installment Sale Agreement, has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the City, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the City, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

7. The obligation of the City to make Installment Payments pursuant to the Installment Sale Agreement does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

8. The Bonds constitute Qualified Bonds within the meaning of Section 54AA(g)(2) of the Internal Revenue Code of 1986 (the "Code") and are eligible for the credit payable by the Federal government under Section 6431 of the Tax Code (the "Refundable Credit"). The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order for the Bonds to be treated as Qualified Bonds and continue to be eligible for the Refundable Credit. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Refundable Credit and may cause the Bonds to cease to be treated as Qualified Bonds either prospectively from the date of determination or retroactively to the date of issuance of the Bonds. We express no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Refundable Credit by the Federal government. Interest on the Bonds is not excludable from gross income for federal income tax purposes.

9. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Bonds and the enforceability of the Bonds, the Installment Sale Agreement, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Installment Sale Agreement under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Installment Sale Agreement.

e. We undertake no responsibility for the accuracy, completeness, or fairness of any offering materials relating to the Bonds and express no opinion herein with respect thereto.

f. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Woodland (the "City") in connection with the execution and delivery of $___,___,000 principal amount of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and $__,___,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (together, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to an Trust Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (together, the "Trust Agreement"), each by and between the Woodland Finance Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" shall mean any entity designated in writing by the City to perform the duties specified in Section 3(c) of the Disclosure Certificate and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve month or fifty-two week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth herein.

"Listed Event" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"Official Statement" shall mean the Official Statement for the Series 2009 Bonds, dated _________, 2009.

"Owners" shall mean either the registered owners of the Series 2009 Bonds, or, if the Series 2009 Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Participating Underwriter" shall mean Southwest Securities, LLC, as the original underwriter of the Series 2009 Bonds required to comply with the Rule in connection with offering of the Series 2009 Bonds.

"Repository" shall mean the centralized on-line repository for documents filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") site or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than seven (7) months following the end of each Fiscal Year, commencing with the Fiscal Year ending on June 30, 2009, provide to each Repository an Annual Report that is consistent with the requirements hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference any other information (as provided in Section 4 (Content of Annual Reports) hereof); provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report.

(b) If the City is unable to provide to each Repository an Annual Report by the date specified herein, the City shall send a notice to the MSRB and to the State Repository in substantially the form set forth in Exhibit "A" attached hereto and incorporated herein.

(c) The Dissemination Agent shall:

(i) Determine each year prior to the date for providing the Annual Report the name and address of each Repository in substantially the form attached as Exhibit A.

(ii) If the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Notwithstanding any other provision of this Continuing Disclosure Certificate, the City and the Dissemination Agent reserve the right to make any of the aforementioned filings through the Central Post Office.

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

(a) The adopted budget of the Wastewater Enterprise System of the City for the then current fiscal year, the audited financial statements of the Wastewater Enterprise System of the City 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 City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements set forth in Table 11 in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) a description of the Bonds issued by the City and outstanding as of the date of such report;

(c) the principal amount of a surety bond, if any, and/or the amount on deposit in the Reserve Account relating to the Bonds as of the end of the prior fiscal year;

(d) schedule of Bond redemptions and the source of funds for such redemptions; and

(e) Annual updates of the following Tables:

(i)	Table 2 –	Debt Service Schedule;
(ii)	Table 5 –	Schedule of Building Permits to be issued in the Spring Lake Area;
(iii)	Table 7 –	Current and Approved Wastewater System Rates;
(iv)	Table 9 –	Delinquency Rate by Type of Account;
(v)	Table 10 –	Customer Base by Type of Account;
(vi)	Table 9 –	Ten Largest Users by Flow;
(vii)	Table 11 –	Ten Largest Users by Revenues;
(viii)	Table 13 –	Historical Statement of Revenues and Expenses and Changes in Fund Net Assets;
(ix)	Table 15 –	Historical Debt Service Coverage; and
(x)	Table 16 –	Statement of Net Assets.

The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, if material:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults.

(iii) modifications to rights of Owners of the Series 2009 Bonds.

(iv) optional, contingent or unscheduled calls of the Series 2009 Bonds.

(v) defeasances.

(vi) rating changes.

(vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2009 Bonds.

(viii) unscheduled draws on the Reserve Account reflecting financial difficulties.

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) substitution of the credit or liquidity providers or their failure to perform.

(xi) release, substitution or sale of property securing repayment of the Series 2009 Bonds.

(xii) initiation of bankruptcy proceedings by the City.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the determination made by the City.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (a)(v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any provision hereof, the City may amend or waive this Continuing Disclosure Certificate, and any provision of this Continuing Disclosure Certificate, provided the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing contained herein shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth herein 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 hereby. If the City chooses at any time to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required hereby, the City shall have no obligation hereunder to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision hereof, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations hereunder; provided that a default hereunder shall not be deemed an event of default under the Trust Agreement, and the sole remedy hereunder in the event of any failure of the City to comply with the agreements and covenants contained herein shall be an action to compel performance.

SECTION 10. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter, and the holders and beneficial owners from time to of the Series Bonds, and shall create no rights in any other person or entity.

Date: _________, 2009.

CITY OF WOODLAND

By:_______________________________

Finance Director

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Woodland Finance Authority
Name of Bond Issue:	Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds)
Date of Issuance:	___________, 2009

NOTICE IS HEREBY GIVEN that the City of Woodland has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on the date of issuance of the Bonds by the City, and the City anticipates that the Annual Report will be filed by ______________________.

Dated: [Date of Notice]

CITY OF WOODLAND

By:_______________________________
Finance Director

09015\pos-3

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2009 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2009 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2009 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009C Bond certificate will be issued for each maturity of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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. DTTC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bond ("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 Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Series 2009 Bonds may wish to ascertain that the nominee holding the Series 2009 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC, if less than all of the Series 2009 Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2009 Bonds to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Bond certificates will be printed and delivered.

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the City nor the Trustee take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the City nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2009 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2009 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2009 Bonds or an error or delay relating thereto.

APPENDIX G

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

$__,___,000
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009A
(Bank Qualified)

$__,___,000
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009B
(FEDERALLY TAXABLE BUILD AMERICA BONDS)
(Bank Qualified)

BOND PURCHASE CONTRACT

_______, 2009

Woodland Finance Authority
c/o City of Woodland
300 First Street
Woodland, California 95695

City of Woodland
300 First Street
Woodland, California 95695

Ladies and Gentlemen:

Southwest Securities, Inc. (the "*Underwriter*") offers to enter into this Bond Purchase Contract (the "*Purchase Contract*") with the Woodland Finance Authority (the "*Authority*"), a joint powers authority created by a Joint Exercise of Powers Agreement dated as of November 1, 1996 (the "*JPA Agreement*") between the City of Woodland and the Redevelopment Agency of the City of Woodland, which, upon acceptance of this offer by the Authority and approval by the City of Woodland (the *"City"*) will be binding upon the Authority, the City and the Underwriter. This offer is made subject to acceptance of this Purchase Contract by the Authority and approval by the City on or before 11:59 p.m. California time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Authority and the City at any time prior to such acceptance.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings given to such terms as set forth in Trust Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (the *"First Supplemental Trust Agreement"* and together, the *"Trust Agreement"*) each by and between the Authority and U.S. Bank National Association, as trustee (the *"Trustee"*).

Section 1. Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Contract, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the $___,___,000 principal amount of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A (the *"Series 2009A Bonds"*) and $___,___,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (the *"Taxable 2009B Bonds"* and together with the Series 2009A Bonds, the *"Series 2009 Bonds"*). The Series 2009 Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto.

The purchase price for the Series 2009A Bonds shall be $_________ (representing the principal amount of the Series 2009 Bonds, [plus a net original issue premium]/[less an original issue discount] in the amount of $_______ and less an Underwriter's discount in the amount of $_______).

The purchase price for the Series Taxable 2009B Bonds shall be $_________ (representing the principal amount of the Series 2009 Bonds, [plus a net original issue premium]/[less an original issue discount] in the amount of $_______ and less an Underwriter's discount in the amount of $_______).

Section 2. The Authority has delivered to the Underwriter a Preliminary Official Statement, dated _______, 2009 (the "*Preliminary Official Statement*"), and will deliver to the Underwriter at Closing (as defined herein) a final Official Statement dated the date hereof as provided in Section 5 of this Purchase Contract (as may be amended and supplemented from time to time pursuant to Section 6(f) of this Purchase Contract, the "*Official Statement*"). The Authority has delivered to the Underwriter a certificate pursuant to Securities and Exchange Commission Rule 15c2-12 relating to the Preliminary Official Statement, in substantially the form attached hereto as Exhibit A-1. The City has delivered to the Underwriter a certificate relating to certain information in the Preliminary Official Statement substantially in the form attached hereto as Exhibit A-2.

Section 3. The Series 2009 Bonds shall be as described in and shall be secured under and issued pursuant to the Trust Agreement. The Series 2009 Bonds shall be payable and subject to redemption as provided in the Trust Agreement and as described in the Official Statement.

The Series 2009 Bonds are being issued to provide funds to:) finance the costs of acquiring, constructing and installment certain improvements (the *"2009 Wastewater Project"*) to the Wastewater System of the City (the "*Wastewater System"*); (ii) making deposits into the Reserve Fund established for the Bonds under the Trust Agreement; (iii) fund capitalized interest on the Series 2009 Bonds; and (iv) pay certain costs associated with the issuance and delivery of the Series 2009 Bonds.

The Taxable 2009B Bonds are being issued as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 (as it may be amended or supplemented from time-to-time, the *"Recovery Act"*), the interest on which is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. The Authority expects to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable on such Taxable 2009B Bonds (the *"Federal Payment"*) on or about each interest payment date. Such Federal Payment will not include any subsidy with respect to any original issue discount on the Taxable 2009B Bonds which may be characterized as interest for federal income tax purposes. Any such Federal Payment does not constitute a full faith and credit guarantee of the United States Government, but rather is required to be paid by the Treasury solely under and pursuant to the terms the Recovery Act. The receipt, or non-receipt, by the Authority of the Federal Payment does not affect the Authority's obligations under the Trust Agreement to make payments from pledged Wastewater Revenues sufficient to provide for the payment of the Series 2009 Bonds.

The Series 2009 Bonds are legal, valid and binding limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of installment payments (the *Installment Payments*") made by the City to the Authority pursuant to the terms and conditions of an Installment Sale Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental to Installment Sale Agreement, dated November 1, 2009 (the *First Supplemental Installment Sale Agreement"* and together, the *"Installment Purchase Agreement"*), pursuant to which the Authority will purchase the 2009 Wastewater Project; and amounts held in certain funds and accounts established by the Trust Agreement, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

[The payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the *"Municipal Bond Insurance Policy"*) to be issued simultaneously with the delivery of the Bonds by ___________ (the *"Bond Insurer"*). The Bond Insurer will also deliver a debt service reserve insurance policy (the *"Debt Service Reserve Policy"*) in an amount equal to the Reserve Requirement that will be deposited in the Reserve Fund established under the Trust Agreement.]

Section 4. It shall be a condition to the obligation of the Underwriter to purchase, accept delivery of, and pay for the Series 2009 Bonds that the entire $___,___,000 principal amount of the Series 2009A Bonds and the entire $___,___,000 principal amount of the Taxable 2009B Bonds authorized by the Trust Agreement shall be delivered by the Authority to the Underwriter on the date of the Closing. The Underwriter agrees to make an initial *bona fide* public offering of all of the Series 2009 Bonds, at not in excess of the initial public offering yields or prices set forth on Schedule I attached hereto, however, the Series 2009 Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2009 Bonds into investment trusts) at prices lower than such initial public offering prices or yields. Following the initial public offering of the Series 2009 Bonds, the offering prices may be changed from time to time by the Underwriter.

Section 5. The Authority hereby approves of the use of the Official Statement by the Underwriter in connection with the public offering and the sale of the Series 2009 Bonds. The Authority consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Series 2009 Bonds. As of its date, the Preliminary Official Statement has been deemed "final" by the Authority and the City for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "*Rule 15c2-12*"), except for the omission of certain information permitted to be omitted by such Rule. The Authority will supply or cause to be supplied to the Underwriter, within seven business days of the date of this Purchase Contract and in time to accompany any confirmation that requests payment from any customer, the Official Statement in sufficient quantity as reasonably requested by the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the "*MSRB*"), complete as of its date of delivery (as amended and supplemented from time to time pursuant to Section 6(f) of this Purchase Contract). Each Underwriter hereby agrees that it will not send any confirmation requesting payment for the purchase of any Series 2009 Bonds unless the confirmation is accompanied by or preceded by the delivery of a copy of the Official Statement. The Underwriter agrees to: (i) provide the Authority with final pricing information on the Series 2009 Bonds upon execution of this Purchase Contract, (ii) promptly file a copy of the Official Statement, including any amendments or supplements prepared by the Authority with a nationally recognized municipal securities information repository, (iii) promptly notify the Authority in writing if the end of the underwriting period (as such term is defined in Rule 15c2-12) does not occur on the date of the Closing, and (iv) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Series 2009 Bonds to ultimate purchasers.

Section 6. The Authority represents and warrants to the Underwriter that:

(a) The Authority has, by Resolution No. 09-__, adopted by a majority of the members of the Board at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on ________, 2009 (the *"Authority Resolution"*), taken all official action necessary to be taken by it for (i) the execution, delivery and due performance of the Trust Agreement, the Installment Purchase Agreement and the Tax Certificate of the Authority dated as of the date of Closing (the *"Tax Certificate"*) (collectively, the *"Authority Agreements"*), (ii) the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, (iii) the issuance, sale and delivery of the Series 2009 Bonds, and (iv) the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby;

(b) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the *"State"*) and the JPA Agreement and has all necessary power and authority to adopt the Authority Resolution and to enter into and perform its duties under the Series 2009 Bonds and the Authority Agreements;

(c) Upon their execution and delivery, each of the Series 2009 Bonds and the Authority Agreements will constitute a legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally; and the execution and delivery of the Series 2009 Bonds and the Authority Agreements, and compliance with the provisions of each thereof, will not constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States, or any applicable judgment, decree, agreement or other instrument to which the Authority is a party or is otherwise subject;

(d) At the time of the Authority's acceptance hereof and at all times subsequent thereto up to and including the time of Closing, the information and statements in the Official Statement (excluding statements under the captions "THE CITY," "UNDERWRITING" and information as to bond prices on the cover of the Official Statement) do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers, (ii) enjoin or restrain the issuance, sale or delivery of the Series 2009 Bonds, the payment of the Rental Payments under the Installment Purchase Agreement or the use of any other monies or properties pledged or to be pledged under the Trust Agreement for the payment of the Series 2009 Bonds, (iii) in any way question or affect any of the rights, powers, duties or obligations of the Authority with respect to the monies pledged or to be pledged to pay the principal of, premium, if any, or interest on the Series 2009 Bonds, (iv) in any way question or affect any authority for the issuance of the Series 2009 Bonds, or the validity or enforceability of the Series 2009 Bonds or the Authority ,or (v) in any way question or affect the Purchase Contract or the transactions contemplated by the Purchase Contract, the Authority Agreements, the Official Statement or any other agreement or instrument to which the Authority is a party relating to the Series 2009 Bonds;

(f) For not more than 25 days from the "*end of the underwriting period*" (as defined in Securities and Exchange Commission Rule 15c2-12(e)(2)) if an event occurs or facts or conditions become known to the Authority which in the reasonable opinion of Lofton & Jennings (*"Disclosure Counsel"*), the City Attorney, as counsel to the Authority or the Underwriter, would or might cause the information contained in the Official Statement to be amended or supplemented in order to make the statements therein not misleading in light of the circumstances existing at the time it is delivered to a purchaser, the Authority will forthwith prepare and furnish to the Underwrites a reasonable number of copies of any amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel, the City Attorney, as counsel to the Authority and the Underwrites, which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the amended or supplemented Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection (f), the Authority will furnish to the Underwriter such information as it may from time to time request. The Authority may assume that the "*end of the underwriting period*" for purposes of Securities and Exchange Commission Rule 15c2-12 will occur on the date of Closing unless otherwise notified, in writing, by the Underwriter on or prior to the date of Closing;

(g) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request, to qualify the Series 2009 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, and will assist, if necessary therefor, in the continuation of such qualifications in effect as long as required for the distribution of the Series 2009 Bonds; provided, however, that the Authority shall not be required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state;

(h) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Purchase Contract or the execution, delivery and sale of the Series 2009 Bonds or the consummation by the Authority of the other transactions contemplated by Authority Agreements that has not been obtained;

(i) Any certificate signed by any official of the Authority authorized to do so shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein;

(j) The Authority shall apply the proceeds of the Series 2009 Bonds, including the investment earnings thereon, in accordance with the Trust Agreement and as described in the Official Statement; and

(k) The Authority is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding; and

(l) Except as previously disclosed to the Underwriter, the Authority is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

Section 7. The City represents and warrants to the Underwriter that:

(a) The City is a general law city and municipal corporation duly organized and existing under the laws of the State and has all necessary power and authority to enter into and perform its duties under the City Agreements (defined below) and, when duly authorized, executed and delivered by the other parties thereto, the City Agreements will each constitute a legal, valid and binding obligation of the City enforceable in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally;

(b) The City Council of the City has, by Resolution No. 4662, adopted by a majority of the members of the City Council at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, on ________, 2009 (the *"City Resolution"*), taken all official action necessary to be taken by it for the execution, delivery and due performance of the Trust Agreement, Installment Purchase Agreement, the Continuing Disclosure Certificate dated the Closing Date (the *"Continuing Disclosure Certificate"* and collectively with the Trust Agreement and the Installment Purchase Agreement, the *"City Agreements"*), and to approve this Purchase Contract and for the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated hereby;

(c) The execution and delivery of the City Agreements and compliance with the provisions of each thereof, will not constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States, or any applicable judgment, decree, agreement or other instrument to which the City is a party or is otherwise subject;

(d) At the time of the City's acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in Official Statement under the captions "THE CITY," "WATER SYSTEM FINANCES," APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WOODLAND" and APPENDIX B–"CITY OF WOODLAND INVESTMENT POLICY" does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or to the best knowledge of the City threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers, (ii) enjoin or restrain the issuance, sale and delivery of the Series 2009 Bonds, the pledge of the Lease Payments under the Facilities, (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the monies pledged or to be pledged to pay the principal of, premium, if any, or interest on the Series 2009 Bonds, (iv) in any way question or affect any authority for the issuance of the Series 2009 Bonds, or the validity or enforceability of the Series 2009 Bonds or the City Agreements, or (v) in any way question or affect the Purchase Contract, or the transactions contemplated by the Purchase Contract, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Series 2009 Bonds;

(f) For not more than 25 days from the "*end of the underwriting period*" (as defined in Securities and Exchange Commission Rule 15c2-12(e)(2)), if an event occurs or facts or conditions become known to the City which in the reasonable opinion of Disclosure Counsel or the City Attorney would or might cause the information contained in the Official Statement to be misleading in light of the circumstances existing at the time it is delivered to a purchaser, the City will prepare and furnish to the Underwriter a reasonable number of copies of any amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the City Attorney) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the amended or supplemented Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection (f), the City will furnish to the Underwriter such information as it may from time to time request. The City may assume that the "*end of the underwriting period*" for purposes of Securities and Exchange Commission Rule 15c2-12 will occur on the date of Closing unless otherwise notified, in writing, by the Underwriter on or prior to the date of Closing;

(g) Except as may be required under Blue Sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the approval and delivery of this Purchase Contract or the consummation by the City of the other transactions contemplated by the City Agreements that has not been obtained;

(h) Any certificate signed by any official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein;

(i) The City shall apply a portion of the proceeds of the Series 2009 Bonds, including the investment earnings thereon, as described in the Official Statement;

(j) The City is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding;

(k) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City since June 30, 2008 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change. The financial statements of, and other financial information, regarding the City in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth (i) the audited financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied, and (ii) the other financial information in the Official Statement has been determined on a basis substantially consistent with that of the City's audited financial statements included in the Official Statement;; and

(l) Pursuant to the Continuing Disclosure Certificate, the City will undertake on behalf of the Authority to provide certain annual financial information and notices of the occurrence of certain events, if material. The City is in compliance with all of its prior continuing disclosure undertakings under Rule 15c2-12, and at or prior to the Closing Date, the City will undertake pursuant to the Continuing Disclosure Certificate to provide certain notices of the occurrence of certain events, if material. During the last five years, the City has never failed in any material respect to comply with any previous undertaking to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Section 8. At 8:00 A.M., California time, on _______, 2009, or on such earlier or later date as may be agreed upon by the Underwriter and the Authority (the date of "*Closing*"), the Authority will deliver or cause to be delivered to the Underwriter, through the facilities of The Depository Trust Company in New York, New York, the Series 2009 Bonds, duly executed, and at the offices of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation in Sacramento, California, or such other place as shall have been mutually agreed upon by the Underwriter and the Authority, the other documents described herein, and pay the purchase price of the Series 2009 Bonds as set forth in Section 1 of this Purchase Contract in immediately available funds to the order of the Trustee.

The Series 2009 Bonds shall be issued in fully registered form. It is anticipated that CUSIP identification numbers will be inserted on the Series 2009 Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Series 2009 Bonds in accordance with the terms of this Purchase Contract.

Section 9. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the Authority contained herein and to be contained in the documents and instruments to be delivered at Closing, and upon the performance by the Authority of its respective obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the obligations of the Underwriter under this Purchase Contract to purchase, to accept delivery of and to pay for the Series 2009 Bonds shall be subject to the performance by the Authority of its obligations to be performed hereunder and under such documents and instruments at or prior to Closing, and shall also be subject to the following conditions:

(a) The representations and warranties of the Authority contained herein shall be true, complete and correct on the date hereof and on and as of the date of Closing, as if made on the date of Closing;

(b) At the time of Closing (i) each of the Authority Agreements and the Continuing Disclosure Certificate shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Authority and Underwriter, and (ii) the Authority and the City shall perform or have performed all of their respective obligations required under or specified in the Authority Agreements or the City Agreements, respectively, to be performed by the respective party at or prior to the date of Closing;

(c) As of the date of Closing, all necessary official action of the Authority and the City relating to the Series 2009 Bonds and the Authority Agreements, and the City Agreements, respectively, shall have been taken by the respective party and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) The Underwriter shall have the right to terminate its obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Series 2009 Bonds by notifying the Authority and the City of its election to do so if, after the execution hereof and prior to Closing:

(1) the marketability of the Series 2009 Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority, its property or income, its bonds (including the Series 2009A Bonds) or the interest thereon or any tax exemption granted or authorized by the Act;

(2) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency, or there shall have occurred any other outbreak or escalation of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak or escalation, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Series 2009 Bonds;

(3) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities;

(4) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Series 2009 Bonds is or would be in violation of any provision of the Securities Act of 1933, as

then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(5) legislation shall be enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed to the effect that the Series 2009 Bonds are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(6) in the reasonable judgment of the Underwriter, the market price of the Series 2009 Bonds, or the market price generally of obligations of the general character of the Series 2009 Bonds, might be materially and adversely affected because additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(7) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, shall impose, as to the Series 2009 Bonds or obligations of the general character of the Series 2009 Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(8) a general banking moratorium shall have been established by federal, New York or State authorities;

(9) any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State shall be rendered, which, in the opinion of the Underwriter, after consultation with the Authority, materially adversely affects the market price of the Series 2009 Bonds; or

(10) an event occurs which in the reasonable opinion of the Underwriter make untrue in any material respect any information or statement contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required or necessary to be stated therein in order to make the statements contained therein not misleading in light of the circumstances under which they were made.

(e) At or prior to Closing, the Underwriter shall have received each of the following documents:

(1) Certified copies of the Authority Resolution, the JPA Agreement and the City Resolution and the executed copies of the Authority Agreements;

(2) The Preliminary Official Statement and the Official Statement, with the Official Statement executed on behalf of the Authority by a duly authorized officer of the Authority;

(3) The Continuing Disclosure Certificate, executed on behalf of the City by a duly authorized officer of the City;

(4) An approving opinion of Bond Counsel, dated the date of Closing, substantially in the form attached as Appendix E to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter;

(5) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that: (i) the Series 2009 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (ii) the statements contained in the Official Statement under the captions "THE SERIES 2009 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" are accurate in all material respects insofar as such statements summarize certain provisions of the Trust Agreement, the Installment Purchase Agreement and the Series 2009 Bonds, and the statements contained in the Official Statement under the captions "LEGAL MATTERS" and "TAX MATTERS," insofar as such statements summarize the legal opinion and certain provisions of federal and State law, are accurate in all material respects;

(6) An opinion of the City Attorney, as counsel to the Authority, dated the date of Closing and addressed to the Authority, the City, and the Underwriter, in substantially the form of Exhibit B;

(7) An opinion of the City Attorney, dated the date of Closing and addressed to the City, the Authority and the Underwriter in substantially the form of Exhibit C;

(8) The opinion of Disclosure Counsel, dated the date of Closing and addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date of Closing, the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that the Series 2009 Bonds are exempt from registration under the Securities Act and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, and that the Continuing Disclosure Certificate provides a suitable basis for the Underwriter, in connection with the Offering (as defined in the Securities and Exchange Commission Rule 15c2-12) of the Series 2009 Bonds, to make a reasonable determination as required by section (b)(5) of said Rule;

(9) A certificate dated the date of Closing and executed by a duly authorized officer of the Authority to the effect that:

(i) The representations and warranties of the Authority contained in Section 6 hereof are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing;

(ii) To the best of their knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order to make the statements therein not misleading in any respect; and

(iii) No litigation is pending or threatened (a) to restrain or enjoin the issuance, sale or delivery of the Series 2009 Bonds or the validity of the Base Rental Payments, (b) in any way contesting or affecting the validity of the Authority Resolution, the Series 2009 Bonds or the Authority Agreements, or (c) in any way contesting the existence or powers of the Authority;

(10) A certificate, dated the date of Closing from a duly authorized official of the City to the effect that:

(i) The representations and warranties of the City contained in Section 7 hereof are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) To the best of their knowledge, no event effecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement in order to make the statements therein not misleading under the captions ""THE CITY," "WATER SYSTEM FINANCES," APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WOODLAND" and APPENDIX B–"CITY OF WOODLAND INVESTMENT POLICY" and

(iii) No litigation is pending or threatened (a) to restrain or enjoin the issuance, sale or delivery of the Series 2009 Bonds, or contesting or affecting the validity of the Purchase Contract, the Series 2009 Bonds, or the Authority Agreement, or (c) in any way contesting the existence or powers of the City;

(11) A certificate of the Trustee dated the date of Closing, to the effect that:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the United States of America, and has full power and is qualified to accept and comply with the terms of the Trust Agreement and to perform its obligations stated therein;

(ii) The Trustee has accepted the duties and obligations imposed on it by the Trust Agreement;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Trust Agreement to be undertaken by the Trustee;

(iv) Compliance with the terms of the Trust Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any Federal or state securities or Blue Sky laws or regulations); and

(v) To the best knowledge of the Trustee, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Series 2009 Bonds or the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Trust Agreement or the Series 2009 Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Series 2009 Bonds or the Trust Agreement;

(12) The opinion of Counsel to the Trustee, dated the date of closing, addressed to the Authority, the City, the Trustee, and the Underwriter, to the effect that:

(i) the Trustee is a national banking association duly organized and validly existing and in good standing under the laws of the United States of America and has full power and authority to execute and deliver the Trust Agreement and to perform its obligations thereunder; and

(ii) the Trust Agreement, executed and delivered by the Trustee, constitutes a valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, except insofar as the validity, binding nature and enforceability of the obligations of the Trustee under such agreements may be limited by the effect of (a) insolvency, reorganization, arrangement, moratorium, fraudulent transfer and other similar laws, (b) the discretion of any court of competent jurisdiction in awarding equitable remedies, including, without limitation, specific performance or injunctive relief, and (b) the effect of general principles of equity embodied in California statutes and common law;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Trust Agreement to be undertaken by the Trustee;

(iv) Compliance with the terms of the Trust Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any Federal or state securities or Blue Sky laws or regulations); and

(v) To the best knowledge of such counsel, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Series 2009 Bonds, the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Trust Agreement or the Series 2009 Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Trust Agreement or Series 2009 Bonds.

(13) A Tax Certificate of the Authority, executed on behalf of the Authority by a duly authorized officer;

[(14) The Municipal Bond Insurance Policy insuring payment of principal of and interest on the Series 2009 Bonds when due and the Debt Service Reserve Policy each issued by the Bond Insurer;]

[(15) An opinion of counsel to the Bond Insurer in form and content satisfactory to Bond Counsel and Disclosure Counsel;]

(16) Rating letters from Moody's Investors Service indicating that the Series 2009 Bonds have been rated "___" and indicating that the underlying rating on the Series 2009 Bonds is "___;"

(17) Evidence of required filings with the California Debt and Investment Advisory Commission;

(18) A copy of the Blanket Letter of Representations executed by the Authority and delivered to The Depository Trust Company, New York, New York, relating to the book-entry system for the Series 2009 Bonds;

(19) A Certificate of the Risk Manager of the City with respect to the 2009 Wastewater Project evidencing that the insurance required by Article VII of the Installment Purchase Agreement has been procured and is in full force and effect; and

(20) Such additional legal opinions, certificates, instruments and documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of Closing, of the Authority's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority on or prior to the date of Closing of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Disclosure Counsel. Receipt of, and payment for, the Series 2009 Bonds shall constitute evidence of the satisfactory nature of such as to the Underwriter. The performance of any and all obligations of the Authority or the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in its sole discretion.

If the Authority or the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Series 2009 Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Series 2009 Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and none of the Underwriter, the Authority or the City shall be under further obligation hereunder, except that the respective obligations of the Authority and the Underwriter set forth in Section 11 hereof shall continue in full force and effect.

Section 11. (a) The Underwriter shall be under no obligation to pay, and the Authority shall pay the following expenses incident to the performance of the Authority's obligations hereunder: (i) the fees and disbursements of Bond Counsel, Disclosure Counsel and Del Rio Advisors, LLC, as financial advisor to the Authority and the City; (ii) the cost of printing and delivering the Series 2009 Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Section 6 or Section 7 of this Purchase Contract); (iii) the fees and disbursements of [the Bond Insurer,] the rating agencies, accountants, advisers and of any other experts or consultants retained by the Authority and the City; and (iv) any other expenses and costs of the Authority or the City incident to the performance of its obligations in connection with the authorization, issuance and sale of the Series 2009 Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Series 2009 Bonds including, but not limited to: (i) all advertising expenses in connection with the offering of the Series 2009 Bonds; and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Series 2009 Bonds (including travel and other expenses, CUSIP Service Bureau fees, fees of the California Debt and Investment

Advisory Commission and any other fees and expenses), except as provided in (a) above or as otherwise agreed to by the Underwriter, the Authority and the City.

<u>Section 12</u>. Any notice or other communication to be given to the Authority or the City under this Purchase Contract may be given by delivering the same in writing at the Authority's address set forth above (with a copy to the City) or the City's address, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to: Southwest Securities, Inc., 2533 South Coast Highway 101, Suite 210, Cardiff By The Sea, California 92007; Attention: Mike Cavanaugh, Senior vice President.

<u>Section 13</u>. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the Authority and of the City contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Series 2009 Bonds pursuant to this Purchase Contract. The agreements contained in this Section and in <u>Section 11</u> shall survive any termination of this Purchase Contract.

<u>Section 14</u>. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

<u>Section 15</u>. This Purchase Contract shall be governed and interpreted exclusively by and construed in accordance with the laws of the State applicable to contracts made and to be performed in the State. Any and all disputes or legal actions or proceedings arising out of this Purchase Contract or any document related hereto shall be filed and maintained in a court of competent jurisdiction in the City of Woodland; provided that the Authority may waive the requirement of venue. By execution of and delivery of this Purchase Contract, the parties hereto accept and consent to the aforesaid jurisdiction.

<u>Section 16</u>. This Purchase Contract may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

<u>Section 17</u>. The parties agree that the terms and conditions of this Purchase Contract supersede those of all previous agreements between the parties, and that this Purchase Contract contains the entire agreement between the parties hereto. In the event of a dispute between the parties under this Purchase Contract, the losing party in such dispute shall pay all reasonable costs and expenses incurred by the prevailing party in connection therewith, including but not limited to attorneys' fees.

Section 18. This Purchase Contract shall be effective as of the date set forth above upon the execution of the acceptance hereof by authorized officers of the Authority and the City, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

SOUTHWEST SECURITIES, INC.

By::_________________________________
Authorized Officer

Accepted:

WOODLAND FINANCE AUTHORITY

By:__________________________________
Mark G. Deven
Administrator

Approved:

CITY OF WOODLAND

By:__________________________________
[Amber D'Amato
Finance Officer]
]

SCHEDULE I

MATURITIES, AMOUNTS, RATES, YIELDS AND PRICES

Maturity (March 1)	Principal Amount	Interest Rate	Yield	Price

† Mandatory Sinking Fund Payment.
†† Stated Final Maturity.

205-09015\pc-1

EXHIBIT A-1

$__,___,000	**$__,___,000**
WOODLAND FINANCE AUTHORITY	**WOODLAND FINANCE AUTHORITY**
WASTEWATER REVENUE BONDS	**WASTEWATER REVENUE BONDS**
(Second Senior Lien)	**(Second Senior Lien)**
SERIES 2009A	**SERIES 2009B**
(Bank Qualified)	**(FEDERALLY TAXABLE BUILD AMERICA BONDS)**
	(Bank Qualified)

FORM OF THE CERTIFICATE OF THE AUTHORITY
REGARDING PRELIMINARY OFFICIAL STATEMENT

The undersigned hereby states and certifies:

1. That he is the duly elected, qualified and acting Administrator of the Woodland Finance Authority (the “Authority”) and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to Southwest Securities, Inc.(he “Underwriter”) of the captioned Bonds, a Preliminary Official Statement, relative to the captioned Bonds, dated _______, 2009 (including the cover page and all appendices thereto, in printed form and in electronic form in all material respects consistent with such printed form, “Preliminary Official Statement”), which the Authority deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The Authority hereby approves the use and distribution by the Underwriter of the Preliminary Official Statement.

Dated: _______, 2009

WOODLAND FINANCE AUTHORITY

By:________________________________
Mark G. Deven
Administrator

EXHIBIT A-2

$__,___,000
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009A
(Bank Qualified)

$__,___,000
WOODLAND FINANCE AUTHORITY
WASTEWATER REVENUE BONDS
(Second Senior Lien)
SERIES 2009B
(FEDERALLY TAXABLE BUILD AMERICA BONDS)
(Bank Qualified)

FORM OF THE CERTIFICATE OF THE CITY
REGARDING THE PRELIMINARY OFFICIAL STATEMENT

The undersigned hereby states and certifies:

1. That she is the duly qualified and acting Finance Officer of the City of Woodland (the "City") and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to Southwest Securities, Inc., (the "Underwriter") of the captioned Bonds, a Preliminary Official Statement, relative to the captioned Bonds, dated _______, 2009 (including the cover page and all appendices thereto, in printed form and in electronic form in all material respects consistent with such printed form, "Preliminary Official Statement"), which with respect to the information contained in the Preliminary Official Statement under the caption "THE CITY" and "WATER SYSTEM FINANCES" and contained in "THE CITY," "WATER SYSTEM FINANCES," APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WOODLAND" and APPENDIX B–"CITY OF WOODLAND INVESTMENT POLICY" does not contain any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Dated: _______, 2009

CITY OF WOODLAND

By:___________________________________
]Amber D'Amato
Finance Officer]

205-09015\pc-1

EXHIBIT B

FORM OF OPINION OF AUTHORITY COUNSEL

[Letterhead of Counsel to Authority]

[closing date]

Woodland Finance Authority
Woodland, California

City of Woodland
Woodland, California

Southwest Securities, Inc.
Cardiff By The Sea, California

Re: Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds)
(Authority Counsel Opinion)

Ladies and Gentlemen:

We serve as counsel to the Woodland Finance Authority (the "Authority"). This opinion is addressed to you, pursuant to Section 9(e)(8) of the Bond Purchase Contract dated _______, 200((the "Purchase Contract"), by and between Southwest Securities, Inc. (the "Underwriter"), the Authority and approved by the City of Woodland (the "City"), providing for the purchase of $___,___,000 principal amount of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and $___,___,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (together the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to a November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (together, the "Trust Agreement") each by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), to finance the costs of acquiring, installing and constructing certain improvements (the "2009 Wastewater Project") to the City's Water System; purchase a debt service reserve insurance policy in the amount of the Reserve Requirement for deposit in the Reserve Fund; fund capitalized interest on the Series 2009 Bonds; and pay certain costs associated with the issuance and delivery of the Series 2009 Bonds. The Series 2009 Bonds are payable solely from certain revenues of the Authority, consisting primarily of installment payments (the "Installment Payments") made by the City to the Authority pursuant to the terms and conditions of an Installment Sale Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental to Installment Sale Agreement, dated November 1, 2009 (together, the "Installment Purchase Agreement"), pursuant to which the Authority will purchase the 2009 Wastewater Project; and amounts held in certain funds and accounts established by the Trust Agreement, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract.

In connection with our role as counsel to the Authority, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to such opinions, we have relied upon representations and information supplied to us by the Authority and its officials, employees, and Underwriter and upon representations and certificates of various other public officials. In the course of our representation, nothing has come to our attention that caused us to believe that any of the factual representations upon which we have relied are untrue, but we have made no other factual investigations.

When used herein, the phrase "to our current actual knowledge" means that, during the course of our representation of the Authority, no information that would give us current actual knowledge of the inaccuracy of such statement has come to the attention of those attorneys in the firm who have rendered legal services in connection with the representation described in the introductory paragraph of this opinion letter. However, we have not undertaken any independent investigation or inquiry to determine the accuracy of such statement other than inquiry of officials of the Authority.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The Authority is duly created and validly existing under the laws of the State of California as a joint exercise of powers agency created pursuant to the Joint Exercise of Powers Agreement dated as of November 1, 1996, between the Redevelopment Agency of the City of Woodland and the City.

2. The Authority has full power and authority to execute, deliver and perform its obligations under the Authority Agreements.

3. The Authority Agreements have each been duly authorized, executed, and delivered by the Authority and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, constitute valid and binding obligations of the Authority enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the enforcement of creditors' rights generally; by the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, regardless of whether considered in a proceeding in equity or at law; the possible unavailability of specific performance or injunctive relief; and by the limitations imposed on actions against governmental entities in the State of California.

4 The Authority has duly authorized the distribution of the Official Statement by the Underwriter for the marketing of the Series 2009 Bonds. The Official Statement has been duly executed by the Authority.

5. Except as may be required under federal securities laws and state Blue Sky or other securities laws in connection with the purchase or distribution of the Series 2009 Bonds by the Underwriter, no approval, consent, or authorization of any governmental or public agency, authority, or person is required for the authorization, execution, and delivery by the Authority of the Authority Agreements or the performance by the Authority of its obligations thereunder or for the issuance, sale, or delivery of the Series 2009 Bonds that has not been obtained.

6. The authorization, execution, and delivery of the Authority Agreements by the Authority and compliance by the Authority with the provisions thereof do not (i) breach, or result in a default under, any material agreement or other instrument to which the Authority is a party or by which the Authority or its properties are bound, (ii) violate applicable provisions of statutory law or regulation, or (iii) to our current actual knowledge breach or otherwise violate any existing obligation of the Authority under any court order or consent decree. For purposes of this opinion, we have deemed an agreement or instrument to be material only if it obligates the Authority to payments in any year of more than $100,000.

The opinions set forth above are further qualified as follows:

(a) Our opinions are limited to the matters expressly set forth herein and no opinion is to be implied or may be inferred beyond the matters expressly so stated;

(b) We are licensed to practice law in the State of California; accordingly, the foregoing opinions only apply insofar as the laws of the State of California and the United States may be concerned, and we express no opinion with respect to the laws of any other jurisdiction;

(c) We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party;

(d) We express no opinion as to the effect or availability of any specific remedy provided for in the Authority Agreements under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby;

(e) We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Authority Agreements;

(f) We disclaim any obligation to update this opinion for events occurring after the date hereof.

We are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. During the course of serving as counsel to the Attorney in connection with issuance of the Series 2009 Bonds, no information came to the attention of the attorneys in our firm rendering legal services in connection with such issuance that caused us to believe that the Official Statement (except for any financial or statistical data or forecasts, numbers, estimates, assumptions or expressions of opinion, any information about The Depository Trust Company or its book-entry system, [the Bond Insurer, the Municipal Bond Insurance Policy and the Debt Service Reserve Policy] or the appendices included therein, as to which we express no opinion or view) as of the date thereof or the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state any material fact with respect to the Authority required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We hereby confirm to you that, to our current actual knowledge, except as disclosed in the Official Statement, there are no actions or proceedings against the City pending (service of process having been accomplished) before any court, governmental agency, or arbitrator or overtly threatened in writing (i) that seek to restrain or enjoin the issuance, sale, or delivery of the Series 2009 Bonds or the application of the proceeds thereof in accordance with the Trust Agreement, (ii) that in any way contest the Authority's power to execute, deliver and perform its obligations under the Authority Agreements, (iii) that seek to affect the enforceability of the Authority Agreements, or (iv) wherein an unfavorable decision, ruling, or finding would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Agreements.

This letter is furnished by us as counsel to the Authority. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Series 2009 Bonds or by virtue of this letter. This letter is delivered to the addressees solely for their benefit for the purpose contemplated by the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by owners of Bonds.

Very truly yours,

EXHIBIT C

FORM OF OPINION OF CITY COUNSEL

[Letterhead of City Attorney]

[closing date]

City of Woodland
Woodland, California

Woodland Finance Authority
Woodland, California

Southwest Securities, Inc.
Cardiff By The Sea, California

Re: Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds)
(City Counsel Opinion)

Ladies and Gentlemen:

We serve as City Attorney to the City of Woodland (the "City"). This opinion is addressed to you, pursuant to Section 9(e)(9) of the Bond Purchase Contract dated _______, 2009 (the "Purchase Contract") by and between Southwest Securities, Inc. (the "Underwriter") and the Woodland Finance Authority and approved by the City, providing for the purchase of $___,___,000 principal amount of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and $___,___,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (together the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to a November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (the "First Supplemental Trust Agreement" and together, the "Trust Agreement") each by and between the Authority and U.S. Bank National Association, as trustee, to finance the costs of acquiring, installing and constructing certain improvements to the City's Water System; purchase a debt service reserve insurance policy in the amount of the Reserve Requirement for deposit in the Reserve Fund; fund capitalized interest on the Series 2009 Bonds; and pay certain costs associated with the issuance and delivery of the Series 2009 Bonds. The Series 2009 Bonds are payable solely from certain revenues of the Authority, consisting primarily of installment payments (the "Installment Payments") made by the City to the Authority pursuant to the terms and conditions of an Installment Purchase Agreement, dated November 1, 2005, as amended and supplemented by a First Supplemental to Installment Sale Agreement, dated November 1, 2009 (together, the "Installment Purchase Agreement"), pursuant to which the Authority will purchase the 2009 Wastewater Project; and amounts held in certain funds and accounts established by the Trust Agreement, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement or, if not defined in the Trust Agreement, in the Purchase Contract.

In connection with our role as City Attorney, we have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to such opinions, we have relied upon representations and information supplied to us by the City and its officials, employees, and Underwriter and upon representations and certificates of various other public officials. In the course of our representation, nothing has come to our attention that caused us to believe that any of the factual representations upon which we have relied are untrue, but we have made no other factual investigations.

When used herein, the phrase "to our current actual knowledge" means that, during the course of our representation of the City, no information that would give us current actual knowledge of the inaccuracy of such statement has come to the attention of those attorneys in the firm who have rendered legal services in connection with the representation described in the introductory paragraph of this opinion letter. However, we have not undertaken any independent investigation or inquiry to determine the accuracy of such statement other than inquiry of officials of the City.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, it is our opinion that:

1. The City is a general law city and municipal corporation duly organized and validly existing under the Constitution and laws of the State of California.

2. The City has full power and authority to execute, deliver and perform its obligations under the City Agreements.

3. The City Agreements have each been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, constitute valid and binding obligations of the City enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the enforcement of creditors' rights generally; by the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, regardless of whether considered in a proceeding in equity or at law; the possible unavailability of specific performance or injunctive relief; and by the limitations imposed on actions against governmental entities in the State of California.

4. No approval, consent, or authorization of any governmental or public agency, authority, or person is required for the authorization, execution, and delivery by the City of the City Agreements or the performance by the City of its obligations thereunder that has not been obtained.

5. The authorization, execution, and delivery of the City Agreements by the City and compliance by the City with the provisions thereof do not (i) breach, or result in a default under, any material agreement or other instrument to which the City is a party or by which the City or its properties are bound, (ii) violate applicable provisions of statutory law or regulation, or (iii) to our current actual knowledge breach or otherwise violate any existing obligation of the City under any court order or consent decree. For purposes of this opinion, we have deemed an agreement or instrument to be material only if it obligates the City to payments in any year of more than $100,000.

The opinions set forth above are further qualified as follows:

(a) Our opinions are limited to the matters expressly set forth herein and no opinion is to be implied or may be inferred beyond the matters expressly so stated;

(b) We are licensed to practice law in the State of California; accordingly, the foregoing opinions only apply insofar as the laws of the State of California and the United States may be concerned, and we express no opinion with respect to the laws of any other jurisdiction;

(c) We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party;

(d) We express no opinion as to the effect or availability of any specific remedy provided for in the City Agreements under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby;

(e) We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the City Agreements;

(f) We disclaim any obligation to update this opinion for events occurring after the date hereof.

We are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. During the course of serving as City Attorney in connection with issuance of the Bonds, no information came to the attention of the attorneys in our firm rendering legal services in connection with such issuance that caused us to believe that the information contained in the Official Statement under the captions "THE CITY," "WATER SYSTEM FINANCES," APPENDIX A–"GENERAL, ECONOMIC AND DEMOGRAPHIC AND FINANCIAL INFORMATION RELATING TO THE CITY OF WOODLAND" and APPENDIX B–"CITY OF WOODLAND INVESTMENT POLICY" (except for any financial or statistical data or forecasts, numbers, estimates, assumptions or expressions of opinion included therein, as to which we express no opinion or view) as of the date of the official Statement or the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state any material fact with respect to the City required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

We hereby confirm to you that, to our current actual knowledge, except as disclosed in the Official Statement, there are no actions or proceedings against the City pending (service of process having been accomplished) before any court, governmental agency, or arbitrator or overtly threatened in writing (i) that seek to restrain or enjoin the issuance, sale, or delivery of the Series 2009 Bonds, the application of the proceeds thereof in accordance with the Trust Agreement, or the collection or application of the assessments and the interest thereon to pay the principal of and interest on the Series 2009 Bonds, (ii) that in any way contest the City's power to execute, deliver and perform its obligations under the City Agreements, (iii) that seek to affect the enforceability of the City Agreements, or (iv) wherein an unfavorable decision, ruling, or finding would have a material adverse effect on the City's ability to perform its obligations under the City Agreements.

This letter is furnished by us as City Attorney. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Series 2009 Bonds or by virtue of this letter. This letter is delivered to the addressees solely for their benefit for the purpose contemplated by the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by owners of the Series 2009 Bonds.

Very truly yours,

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Woodland (the "City") in connection with the execution and delivery of $___,___,000 principal amount of the Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and $__,___,000 principal amount of Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds) (together, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to an Trust Agreement dated November 1, 2005, as amended and supplemented by a First Supplemental Trust Agreement, dated November 1, 2009 (together, the "Trust Agreement"), each by and between the Woodland Finance Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Trustee"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the City for the benefit of the Owners and Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" shall mean any entity designated in writing by the City to perform the duties specified in Section 3(c) of the Disclosure Certificate and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean with respect to the City, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve month or fifty-two week period thereafter selected by the City with notice of such selection of change in fiscal year to be provided as set forth herein.

"Listed Event" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"Official Statement" shall mean the Official Statement for the Series 2009 Bonds, dated _________, 2009.

"Owners" shall mean either the registered owners of the Series 2009 Bonds, or, if the Series 2009 Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Participating Underwriter" shall mean Southwest Securities, LLC, as the original underwriter of the Series 2009 Bonds required to comply with the Rule in connection with offering of the Series 2009 Bonds.

"Repository" shall mean the centralized on-line repository for documents filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") site or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The City shall, not later than seven (7) months following the end of each Fiscal Year, commencing with the Fiscal Year ending on June 30, 2009, provide to each Repository an Annual Report that is consistent with the requirements hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference any other information (as provided in Section 4 (Content of Annual Reports) hereof); provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report.

(b) If the City is unable to provide to each Repository an Annual Report by the date specified herein, the City shall send a notice to the MSRB and to the State Repository in substantially the form set forth in Exhibit "A" attached hereto and incorporated herein.

(c) The Dissemination Agent shall:

(i) Determine each year prior to the date for providing the Annual Report the name and address of each Repository in substantially the form attached as Exhibit A.

(ii) If the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Notwithstanding any other provision of this Continuing Disclosure Certificate, the City and the Dissemination Agent reserve the right to make any of the aforementioned filings through the Central Post Office.

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

(a) The adopted budget of the Wastewater Enterprise System of the City for the then current fiscal year, the audited financial statements of the Wastewater Enterprise System of the City 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 City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements set forth in Table 11 in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) a description of the Bonds issued by the City and outstanding as of the date of such report;

(c) the principal amount of a surety bond, if any, and/or the amount on deposit in the Reserve Account relating to the Bonds as of the end of the prior fiscal year;

(d) schedule of Bond redemptions and the source of funds for such redemptions; and

(e) Annual updates of the following Tables:

(i) Table 2 – Debt Service Schedule;
(ii) Table 5 – Schedule of Building Permits to be issued in the Spring Lake Area;
(iii) Table 7 – Current and Approved Wastewater System Rates;
(iv) Table 9 – Delinquency Rate by Type of Account;
(v) Table 10 – Customer Base by Type of Account;
(vi) Table 9 – Ten Largest Users by Flow;
(vii) Table 11 – Ten Largest Users by Revenues;
(viii) Table 13 – Historical Statement of Revenues and Expenses and Changes in Fund Net Assets;
(ix) Table 15 – Historical Debt Service Coverage; and
(x) Table 16 – Statement of Net Assets.

The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, if material:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults.

(iii) modifications to rights of Owners of the Series 2009 Bonds.

(iv) optional, contingent or unscheduled calls of the Series 2009 Bonds.

(v) defeasances.

(vi) rating changes.

(vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2009 Bonds.

(viii) unscheduled draws on the Reserve Account reflecting financial difficulties.

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) substitution of the credit or liquidity providers or their failure to perform.

(xi) release, substitution or sale of property securing repayment of the Series 2009 Bonds.

(xii) initiation of bankruptcy proceedings by the City.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the determination made by the City.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (a)(v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Certificates pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2009 Bonds. If such termination occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any provision hereof, the City may amend or waive this Continuing Disclosure Certificate, and any provision of this Continuing Disclosure Certificate, provided the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing contained herein shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth herein 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 hereby. If the City chooses at any time to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required hereby, the City shall have no obligation hereunder to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the City to comply with any provision hereof, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations hereunder; provided that a default hereunder shall not be deemed an event of default under the Trust Agreement, and the sole remedy hereunder in the event of any failure of the City to comply with the agreements and covenants contained herein shall be an action to compel performance.

SECTION 10. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter, and the holders and beneficial owners from time to of the Series Bonds, and shall create no rights in any other person or entity.

Date: _________, 2009.

CITY OF WOODLAND

By:________________________________
Finance Director

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Woodland Finance Authority
Name of Bond Issue:	Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien), Series 2009A and Woodland Finance Authority Wastewater Revenue Bonds (Second Senior Lien) Series 2009B (Federally Taxable Build America Bonds)
Date of Issuance:	___________, 2009

NOTICE IS HEREBY GIVEN that the City of Woodland has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on the date of issuance of the Bonds by the City, and the City anticipates that the Annual Report will be filed by ______________________.

Dated: [Date of Notice]

CITY OF WOODLAND

By:_______________________________
Finance Director