



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

Meeting Agenda City Council

**THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1
AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY**

Tuesday, October 12, 2021

6:00 PM

Via Video Conference

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

PLEASE TAKE NOTICE

Due to state and county health orders and to minimize the spread of COVID-19, City Councilmembers and staff will be participating in this meeting via video conference. The Governor's executive Orders N-25-20, N-29-20, and N-15-21 suspend certain requirements of the Brown Act and allow the meeting to be held virtually.

The meeting will be live-streamed on the City's website at <https://city.fortbragg.com/> and on Channel 3. Public Comment regarding matters on the agenda may be made by joining the Zoom video conference and using the Raise Hand feature when the Mayor or Acting Mayor calls for public comment. Any written public comments received after agenda publication will be forwarded to the Councilmembers as soon as possible after receipt and will be available for inspection at City Hall, 416 N. Franklin Street, Fort Bragg, California. All comments will become a permanent part of the agenda packet on the day after the meeting or as soon thereafter as possible, except those written comments that are in an unrecognized file type or too large to be uploaded to the City's agenda software application. Public comments may be submitted to City Clerk June Lemos at jlemos@fortbragg.com.

ZOOM WEBINAR INVITATION

*You are invited to a Zoom webinar.
When: Oct 12, 2021 06:00 PM Pacific Time (US and Canada)
Topic: City Council Meeting*

*Please click the link below to join the webinar:
<https://us06web.zoom.us/j/87844903299>
Or Telephone: +1 253 215 8782 or +1 346 248 7799 (*6 mute/unmute, *9 raise hand)
Webinar ID: 878 4490 3299*

TO SPEAK DURING PUBLIC COMMENT PORTIONS OF THE AGENDA VIA ZOOM, PLEASE JOIN THE MEETING AND USE THE RAISE HAND FEATURE WHEN THE MAYOR OR ACTING MAYOR CALLS FOR PUBLIC COMMENT ON THE ITEM YOU WISH TO ADDRESS.

AGENDA REVIEW

1. MAYOR'S RECOGNITIONS AND ANNOUNCEMENTS

- 1A. [21-530](#) Presentation of Proclamation Proclaiming October 11, 2021 as Indigenous Peoples Day

Attachments: [18-Indigenous Peoples Day](#)

- 1B. [21-535](#) Presentation of Proclamation Recognizing October as Domestic Violence Awareness Month

Attachments: [19-Domestic Violence Awareness Month](#)

- 1C. [21-541](#) Presentation from the Economic Development & Financing Corporation

Attachments: [Fort Bragg City Council Presentation](#)

2. PUBLIC COMMENTS ON: (1) NON-AGENDA, (2) CONSENT CALENDAR & (3) CLOSED SESSION ITEMS

MANNER OF ADDRESSING THE CITY COUNCIL: All remarks and questions shall be addressed to the City Council; no discussion or action will be taken pursuant to the Brown Act. No person shall speak without being recognized by the Mayor or Acting Mayor. Public comments are restricted to three (3) minutes per speaker.

TIME ALLOTMENT FOR PUBLIC COMMENT ON NON-AGENDA ITEMS: Thirty (30) minutes shall be allotted to receiving public comments. If necessary, the Mayor or Acting Mayor may allot an additional 30 minutes to public comments after Conduct of Business to allow those who have not yet spoken to do so. Any citizen, after being recognized by the Mayor or Acting Mayor, may speak on any topic that may be a proper subject for discussion before the City Council for such period of time as the Mayor or Acting Mayor may determine is appropriate under the circumstances of the particular meeting, including number of persons wishing to speak or the complexity of a particular topic. Time limitations shall be set without regard to a speaker's point of view or the content of the speech, as long as the speaker's comments are not disruptive of the meeting.

BROWN ACT REQUIREMENTS: The Brown Act does not allow action or discussion on items not on the agenda (subject to narrow exceptions). This will limit the Council's response to questions and requests made during this comment period.

3. STAFF COMMENTS

4. MATTERS FROM COUNCILMEMBERS

5. CONSENT CALENDAR

All items under the Consent Calendar will be acted upon in one motion unless a Councilmember requests that an individual item be taken up under Conduct of Business.

- 5A. [21-516](#) Adopt City Council Resolution Confirming the Continued Existence of a Local Emergency in the City of Fort Bragg

Attachments: [RESO Declaring Continuing Local Emergency](#)

- 5B. [21-521](#) Approve Minutes of September 27, 2021

Attachments: [CCM2021-09-27](#)

6. DISCLOSURE OF EX PARTE COMMUNICATIONS ON AGENDA ITEMS

7. PUBLIC HEARING

When a Public Hearing has been underway for a period of 60 minutes, the Council must vote on whether to continue with the hearing or to continue the hearing to another meeting.

- 7A. [21-518](#)** Receive Report, Conduct Public Hearing, and Consider Adoption of City Council Resolution Approving Coastal Development Permit Amendment 3-17/19/21, Design Review Amendment 5-17/19/21, and Lot Merger 1-21 of APN 018-340-04-00 and APN 018-340-06-00 for the Danco Mixed-Income Senior, Multi-family, and Permanently Supportive Housing Project Located at 441 South Street

Attachments: [10122021 Danco Lot Merge Report](#)
[Att 1 - ALTA Map](#)
[Att 2 - Grant Deed & Legal Description](#)
[Att 3 - PC Resolution 3-2019](#)
[Att 4 - Staff Report CDP 3-1719 DR 5-1719](#)
[Att 6 - 100122021 PH Notice - DANCO Lot Merger](#)
[Att 5 - Resolution DANCO Merger](#)
[Public Comment 7A](#)

- 7B. [21-538](#)** Receive Report, Conduct Public Hearing and Consider Adoption of City Council and Financing Authority Resolutions Authorizing Series 2021 Lease Revenue Bonds to Pay Off a Portion of the City's Unfunded Accrued Liability with CalPERS and Fund the Site Acquisition at the Southern Portion of the Mill Site

Attachments: [10122021 LRB Pension Liability](#)
[Att. 1 City Reso - Lease](#)
[Att. 2 Authority Reso - Issue Bonds](#)
[Att. 3 Site Lease - Fort Bragg](#)
[Att. 4 Lease Agreement - Fort Bragg](#)
[Att. 5 Indenture - Fort Bragg](#)
[Att. 6 Assignment Agmt - Fort Bragg](#)
[Att. 7 POS \(Fort Bragg JPFA LRB's\)](#)
[Att. 8 Bond Purchase Agreement Fort Bragg 2021 Lease Revenue Bonds](#)
[Att. 9 Fort Bragg 2021 Taxable LRB - Good Faith Estimates](#)
[Att. 10 PH Notice - Bond Hearing](#)
[Public Comment 7B](#)
[Fort Bragg 2021 COP - Oct 12 Approval 211012vF](#)

8. CONDUCT OF BUSINESS

8A. [21-537](#) Receive Report and Consider Adoption of City Council Resolution Downgrading Water Conservation Stage from Stage 4 Water Crisis to a Stage 2 Water Warning

Attachments: [10122021 Step down Stage 2 Water Warning](#)
[RESO Downgrade Stage 2 Water Warning](#)
[Stage 4 to Stage 2](#)

8B. [21-533](#) Receive Report and Consider Adoption of City Pension Funding Policy

Attachments: [10122021 Pension Funding Policy](#)
[Att. 1- Pension Funding Policy](#)

9. CLOSED SESSION

ADJOURNMENT

The adjournment time for all Council meetings is no later than 10:00 p.m. If the Council is still in session at 10:00 p.m., the Council may continue the meeting upon majority vote.

**NEXT REGULAR CITY COUNCIL MEETING:
6:00 P.M., MONDAY, OCTOBER 25, 2021**

STATE OF CALIFORNIA)
)ss.
COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this agenda to be posted in the City Hall notice case on October 6, 2021.

June Lemos, CMC
City Clerk

NOTICE TO THE PUBLIC:

DISTRIBUTION OF ADDITIONAL INFORMATION FOLLOWING AGENDA PACKET DISTRIBUTION:

- *Materials related to an item on this Agenda submitted to the Council/District/Agency after distribution of the agenda packet are available for public inspection upon making reasonable arrangements with the City Clerk for viewing same during normal business hours.*
- *Such documents are also available on the City of Fort Bragg's website at <https://city.fortbragg.com> subject to staff's ability to post the documents before the meeting.*

ADA NOTICE AND HEARING IMPAIRED PROVISIONS:

It is the policy of the City of Fort Bragg to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities.

If you need assistance to ensure your full participation, please contact the City Clerk at (707) 961-2823. Notification 48 hours in advance of any need for assistance will enable the City to make reasonable arrangements to ensure accessibility.

This notice is in compliance with the Americans with Disabilities Act (28 CFR, 35.102-35.104 ADA Title II).



City of Fort Bragg

416 N Franklin Street
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Phone: (707) 961-2823
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Text File

File Number: 21-530

Agenda Date: 10/12/2021

Version: 1

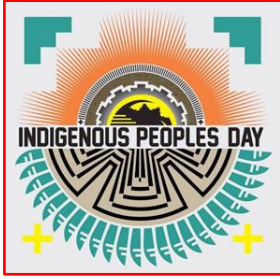
Status: Mayor's Office

In Control: City Council

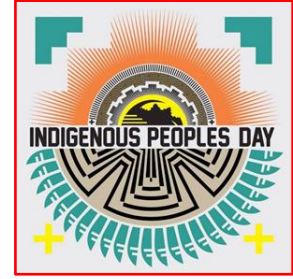
File Type: Proclamation

Agenda Number: 1A.

Presentation of Proclamation Proclaiming October 11, 2021 as Indigenous Peoples Day



PROCLAMATION
Proclaiming October 11, 2021 as
INDIGENOUS PEOPLES DAY



WHEREAS, in 1977, the idea of Indigenous Peoples Day was first proposed by a delegation of Native Nations to the United Nations sponsored International Conference on Discrimination Against Indigenous Populations in the Americas; and

WHEREAS, on December 16, 2010, the United States endorsed the United Nations Declaration on the Rights of Indigenous People; and

WHEREAS, on September 21, 2020, the City of Fort Bragg adopted Resolution 4305-2020 renaming the second Monday in October as Indigenous Peoples Day; and

WHEREAS, the City of Fort Bragg recognizes and deeply values the vast contributions made by Indigenous Peoples to our community, both historic and contemporary, in the areas of science, philosophy, arts and culture which have helped the United States, State of California, County of Mendocino and the City of Fort Bragg grow and thrive; and

WHEREAS, the City recognizes the fact that Fort Bragg is built upon the homelands and villages of the Indigenous Peoples of this region; and

WHEREAS, the City promotes the closing of the equity gap for Indigenous Peoples through policies and practices that reflect the experiences of Indigenous Peoples to ensure greater access and opportunity and to honor our nation's indigenous roots, history, and contributions; and

WHEREAS, as residents of Fort Bragg, we set aside this day to celebrate and honor the heritage, resiliency, and diverse culture of the Indigenous Peoples including those in the Sherwood Valley Band of Pomo;

NOW, THEREFORE, I, Bernie Norvell, Mayor of the City of Fort Bragg, on behalf of the entire City Council, do hereby proclaim October 11, 2021 as Indigenous Peoples Day in the City of Fort Bragg and encourage all citizens of Fort Bragg to join in celebrating and learning about the different cultures of Indigenous Peoples in our country, state and city.

SIGNED this 8th day of October, 2021

BERNIE NORVELL, Mayor

ATTEST:

June Lemos, CMC, City Clerk

No. 18-2021



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Text File

File Number: 21-535

Agenda Date: 10/12/2021

Version: 1

Status: Mayor's Office

In Control: City Council

File Type: Proclamation

Agenda Number: 1B.

Presentation of Proclamation Recognizing October as Domestic Violence Awareness Month

Proclamation

DOMESTIC VIOLENCE AWARENESS MONTH

WHEREAS, in the United States, more than 10 million adults experience domestic violence annually; and

WHEREAS, approximately 15.5 million children are exposed to domestic violence every year; and

WHEREAS, when a family member is abused, it can have long-term damaging effects on the victim that also leave a mark on family, friends, and the community at large; and

WHEREAS, the problems of sexual and domestic violence are not confined to any group or groups of people, but cross all economic, racial, gender, educational, religious, and societal barriers, and are sustained by societal indifference; and

WHEREAS, the crimes of domestic and sexual violence violate an individual's privacy, dignity, security, and humanity due to the systematic use of physical, emotional, sexual, psychological, and economic control and/or abuse; and

WHEREAS, a great deal of domestic violence incidents go unreported by survivors who experience fear of repercussions, threats of future violence, denial, guilt, shame, feelings of worthlessness, and/or fear of negative responses; and

WHEREAS, victims of violence should have access to medical and legal services, counseling, emergency and transitional housing, and other supportive services so that they can safely escape the cycle of abuse; and

WHEREAS, Fort Bragg joins others across the nation in supporting victims of domestic violence, as well as local, state, and national organizations that are committed to increasing public awareness of domestic violence and sending a clear message that domestic violence is not tolerated; and

WHEREAS, domestic violence impacts millions of people each year, but can be prevented. Preventing domestic violence requires the collective voice and power of individuals, families, institutions, and systems – each that add a valuable voice for transforming our communities.

NOW THEREFORE, I, Bernie Norvell, Mayor of the City of Fort Bragg, on behalf of the entire City Council, hereby proclaim the month of October 2021, as Domestic Violence Awareness Month, and urge all citizens to actively support work towards the elimination of domestic violence in our community.

SIGNED this 12th day of October, 2021

BERNIE NORVELL, Mayor

ATTEST:

June Lemos, CMC, City Clerk

No. 19-2021



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Text File

File Number: 21-541

Agenda Date: 10/12/2021

Version: 1

Status: Mayor's Office

In Control: City Council

File Type:
Recognition/Announcements

Agenda Number: 1C.

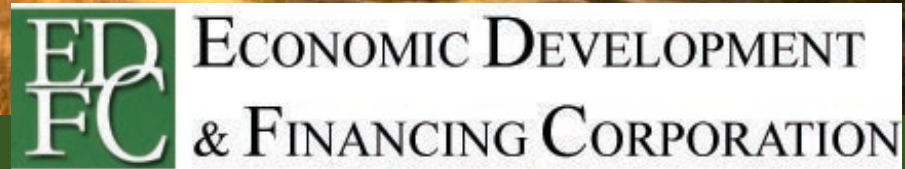
Presentation from the Economic Development & Financing Corporation



**ED
FC** ECONOMIC DEVELOPMENT
& FINANCING CORPORATION

City of Fort Bragg

Annual City Council Update



Mission Connecting money and ideas with entrepreneurs and creating sustainable prosperity in Mendocino, Lake & Sonoma Counties

Vision We envision a vibrant local economy providing abundant opportunity and rewarding quality of life to the communities we serve and future generations.

EDFC's Foundations

- EDFC was started in 1994 as vehicle for economic development and funding across multiple jurisdictions throughout Mendocino County and the incorporated cities.
- Provide economic development coordination and support for:
 - County of Mendocino
 - City of Fort Bragg
 - City of Point Arena
 - City of Ukiah
 - City of Willits
- Provide alternative financing opportunities for entrepreneurs and small businesses in Mendocino and Lake Counties
- EDFC is an incorporated non-profit organization.



EDFC Leadership

New Management Structure

BOARD: 15 Members including:

- ❖ County Supervisors:
Maureen Mulheren, Ted Williams
- ❖ Council Members:
Madge Strong (Willits)
Tess Albin-Smith (Fort Bragg)
- ❖ City Staff: Shannon Riley, Deputy
City Manager Ukiah
- ❖ Business Owners
Finance Professionals
Pomo Tribe
Mendocino College
North Coast Opportunities



EDFC Results & Highlights FY 20/21

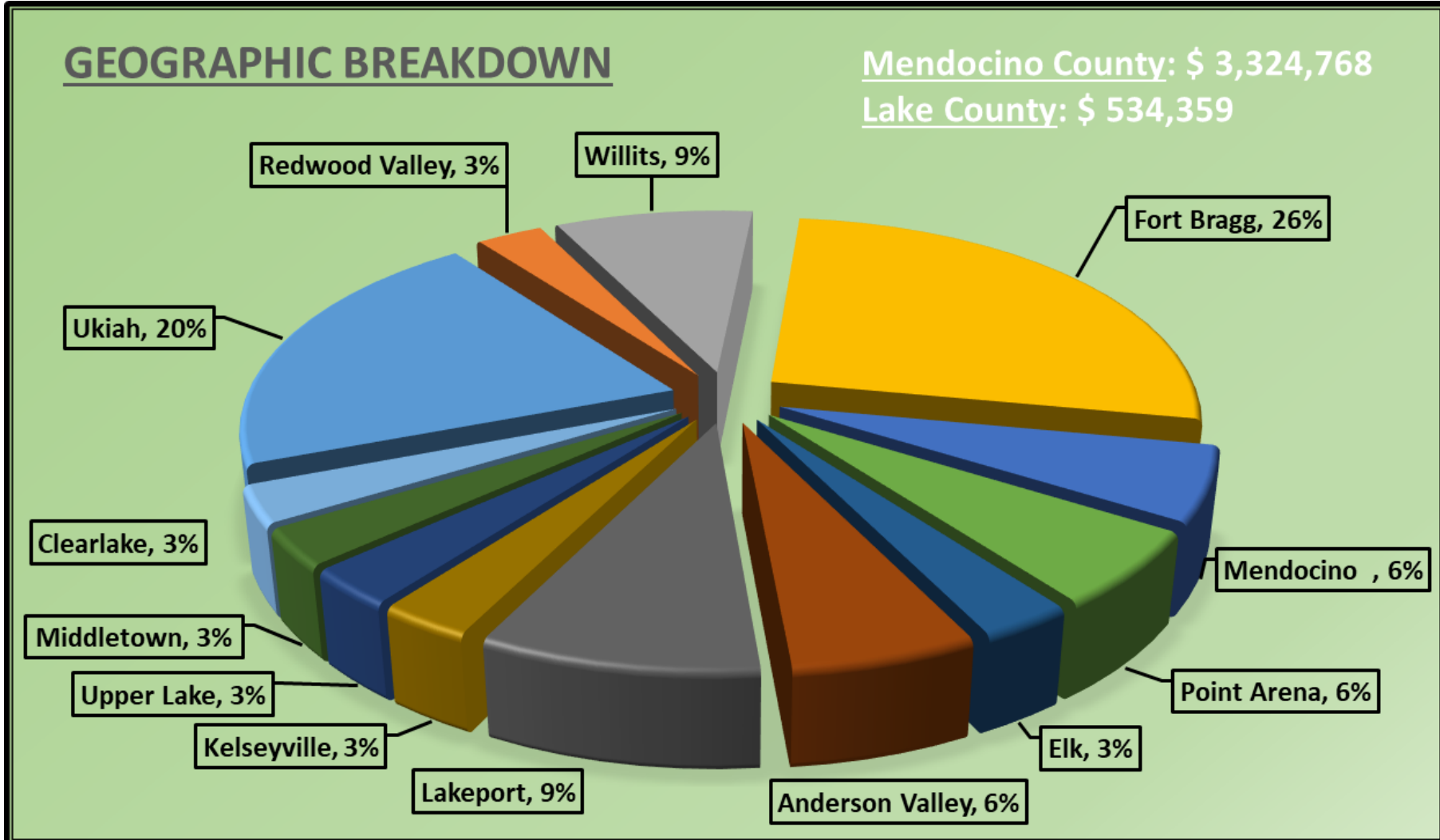
- Closed Loans: \$1,212,636
- Approved not disbursed: \$130,483
- Total Lending FY 20/21: \$1,343,119 (+16% vs. Previous FY)
- Total Inquiries: 52
- Applications: 22
- Approved Loans: 13
- Jobs Retained: 20.5 FTE
- Jobs Created: 32 FTE

Low Portfolio Default Rate

1.5%



EDFC Loans Funds Circulating \$ 3,859,127



EDFC Economic Impacts Study

- Commissioned by the County of Mendocino in 2020 to estimate EDFC's economic impacts from its lending.
 - ROI for County Investments via business revenues, jobs and tax revenues.
 - Robert Eyler, Sonoma State University
 - Chair of the Economics Department (2004-2011)
 - Director of the Executive MBA program (2009-2013)
 - Dean of the School of Extended and International Education (2016)
 - Ph.D. from UC Davis
- Results at a Glance:
 - “EDFC has all the pieces in place to continue following best practices.”
 - “EDFC is well-capitalized, as its net asset ratio has increased since 2018. A growing net asset ratio is typically a key indicator of organizational strength in lending, similar to a new worth ratio in banking.”
 - **“When EDFC lends money in Mendocino County, it has larger economic impacts than those in the borrowing business.”**



Economic Impacts Data

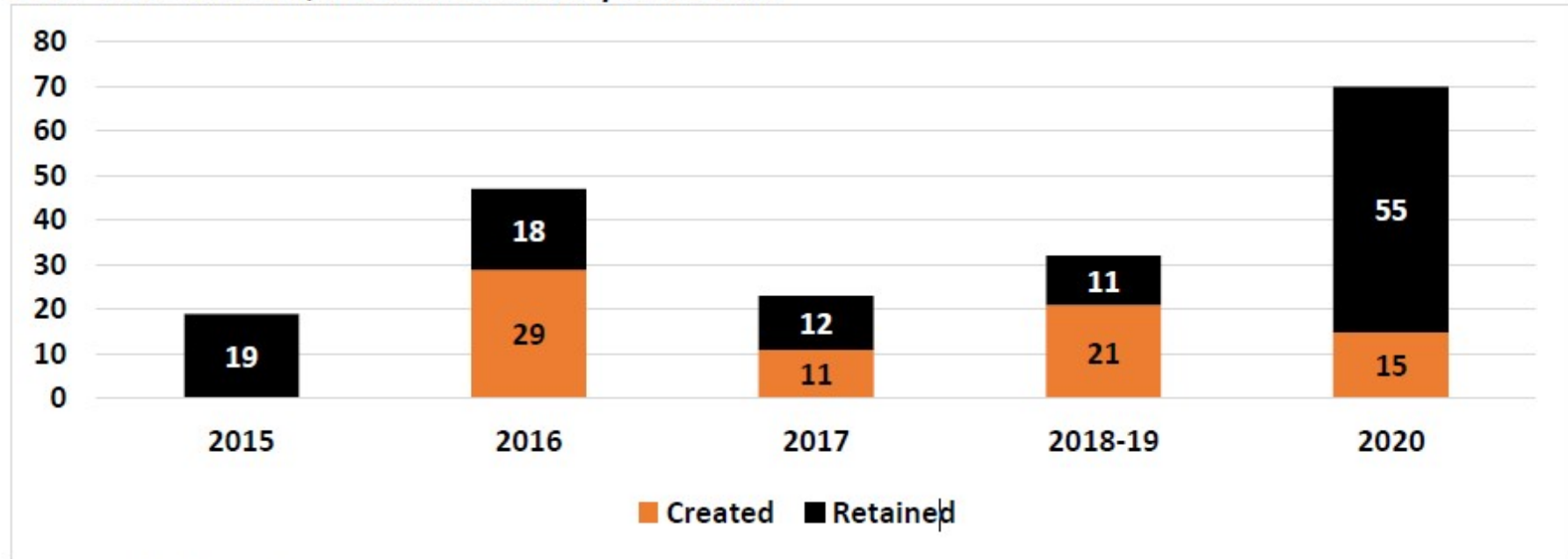
Summary of Estimated Economic Impacts, Including State and Local Tax Revenues Generated

Fiscal-Year End	Initial Lending	Indirect	Induced	Total	Lending Multiplier	Jobs Created	Jobs Retained
2015	\$393,000	\$99,300	\$123,500	\$615,900	1.57		19
2016	\$749,100	\$214,200	\$123,900	\$1,087,200	1.45	29	18
2017	\$168,700	\$69,700	\$77,500	\$315,900	1.87	11	12
2018 and 2019	\$515,400	\$88,200	\$109,100	\$712,700	1.38	21	11
2020	\$660,800	\$250,700	\$225,800	\$1,137,300	1.72	15	55

Multiplier: For every dollar lent, the multiplier is total spending created in Mendocino County

Economic Impacts Data Cont'd

Jobs Created or Retained by EDFC Loan, Number of Full-Time Equivalent (FTE) Workers, Fiscal Years 2014-15 to 2019-20, Mendocino County Borrowers



Sources: EDFC and EFA

Note: Loans made to Lake County retained 15 jobs and created 8 jobs from 2015 to 2020 Year to Date



Loan Client Highlights



Drop In Donut



MC OARS Inc.



Thompson's Porta Septic



Sugar Coated Catering



Orso Palazzo LLC

Challenging Times Create Opportunity

• Pandemic Response:

- “Mask up Mendocino” collaboration with Greater Ukiah Chamber & Tourism to source and distribute **1600** gallons of sanitizer and **200,000** masks to the business community so they could continue to operate safely
- Business Resiliency Grants
- Provide local and state-wide technical assistance for 4 Rounds of CA relief grant applicants
- Implementation of \$1.2 million in Lake County CARES Grants to small business

• Loan Funds:

- CDFI Rapid Response Program: \$ 1.3 Million Grant for loan funds
- EDA Grant: CARES Funding \$500,000
- CDFI FA Grant: up to \$700,000 in loan funds*

Future EDFC Activity

EDFC \$1.3M

Small Business Covid Relief



Covid relief funds awarded to EDFC by the U.S. Department of the Treasury Community Development Financing Institutions Rapid Response Program



**ROUND 9
California Small Business
Relief Grant Program**



ECONOMIC DEVELOPMENT
& FINANCING CORPORATION

Thank You



City of Fort Bragg

416 N Franklin Street
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Phone: (707) 961-2823
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Text File

File Number: 21-516

Agenda Date: 10/12/2021

Version: 1

Status: Consent Agenda

In Control: City Council

File Type: Resolution

Agenda Number: 5A.

Adopt City Council Resolution Confirming the Continued Existence of a Local Emergency in the City of Fort Bragg

At a special meeting on March 24, 2020, the Fort Bragg City Council ratified the City Manager's Proclamation declaring a local emergency due to COVID-19 in its Resolution No. 4242-2020.

Since that date, the Council has adopted the following resolutions reconfirming the existence of a local emergency:

Date Resolution No.

April 6, 2020	4245-2020
April 20, 2020	4247-2020
May 11, 2020	4250-2020
May 26, 2020	4253-2020
June 8, 2020	4266-2020
June 22, 2020	4270-2020
July 13, 2020	4284-2020
July 27, 2020	4289-2020
August 10, 2020	4294-2020
August 31, 2020	4300-2020
September 21, 2020	4304-2020
October 13, 2020	4317-2020
October 26, 2020	4319-2020
November 9, 2020	4323-2020
November 23, 2020	4329-2020
December 14, 2020	4333-2020
December 22, 2020	4340-2020
January 11, 2021	4343-2021
January 25, 2021	4347-2021
February 22, 2021	4358-2021
March 8, 2021	4363-2021
March 22, 2021	4366-2021
April 12, 2021	4376-2021
April 26, 2021	4381-2021
May 10, 2021	4385-2021
May 24, 2021	4391-2021
June 14, 2021	4396-2021
June 28, 2021	4405-2021
July 12, 2021	4418-2021
July 26, 2021	4422-2021
August 9, 2021	4427-2021
August 30, 2021	4434-2021
September 20, 2021	4447-2021

The City is required to reconfirm the existence of a local emergency every 21 days pursuant to Fort Bragg Municipal Code Section 2.24.040.

RESOLUTION NO. ____-2021

**RESOLUTION OF THE FORT BRAGG CITY COUNCIL
CONFIRMING THE CONTINUED EXISTENCE OF A LOCAL
EMERGENCY IN THE CITY OF FORT BRAGG**

WHEREAS, California Government Code section 8630 empowers the Fort Bragg City Council to proclaim the existence of a local emergency when the City is threatened or likely to be threatened by the conditions of extreme peril to the safety of persons and property that are or are likely to be beyond the control of the services, personnel, equipment, and facilities of this City; and

WHEREAS, California Government Code section 8558(c) states that a “local emergency” means the duly proclaimed existence of conditions of disaster or extreme peril to the safety of persons and property within the territorial limits of a city; and

WHEREAS, COVID-19, a novel coronavirus causing infectious disease, was first detected in China in December 2019 and has spread across the world and to the United States. Symptoms of COVID-19 include fever, cough, and shortness of breath; outcomes have ranged from mild to severe illness, and, in some cases, death. The Center for Disease Control and Prevention (CDC) has indicated the virus is a tremendous public health threat; and

WHEREAS, on March 13, 2020, the President of the United States issued a proclamation declaring the COVID-19 outbreak in the United States as a national emergency, beginning March 1, 2020; and

WHEREAS, the Governor of the State of California and the Public Health Officer of the County of Mendocino have both issued Shelter-in-Place orders to combat the spread of COVID-19; and

WHEREAS, on March 17, 2020 the City Manager, as the City’s Director of Emergency Services, issued Proclamation No. CM-2020-01 declaring a local emergency as authorized by Government Code section 8630 and Fort Bragg Municipal Code section 2.24.040(B); and

WHEREAS, at a special meeting on March 24, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4242-2020, ratifying the City Manager’s Proclamation declaring the existence of a local emergency; and

WHEREAS, at a special meeting on April 6, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4245-2020 by which it continued the local emergency; and

WHEREAS, at a special meeting on April 20, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4247-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on May 11, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4250-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on May 26, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4253-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on June 8, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4266-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on June 22, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4270-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on July 13, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4284-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on July 27, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4289-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on August 10, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4294-2020 by which it continued the local emergency; and

WHEREAS, at a special meeting on August 31, 2020, the City Council of the City of Fort Bragg adopted Resolution No. 4300-2020 by which it continued the local emergency; and

WHEREAS, at a special meeting on September 21, 2020, the City Council of the City of Fort Bragg adopted Resolution 4304-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on October 13, 2020, the City Council of the City of Fort Bragg adopted Resolution 4317-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on October 26, 2020, the City Council of the City of Fort Bragg adopted Resolution 4319-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on November 9, 2020, the City Council of the City of Fort Bragg adopted Resolution 4323-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on November 23, 2020, the City Council of the City of Fort Bragg adopted Resolution 4329-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on December 14, 2020, the City Council of the City of Fort Bragg adopted Resolution 4333-2020 by which it continued the local emergency; and

WHEREAS, at a special meeting on December 22, 2020, the City Council of the City of Fort Bragg adopted Resolution 4340-2020 by which it continued the local emergency; and

WHEREAS, at a regular meeting on January 11, 2021, the City Council of the City of Fort Bragg adopted Resolution 4343-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on January 25, 2021, the City Council of the City of Fort Bragg adopted Resolution 4347-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on February 8, 2021, the City Council of the City of Fort Bragg adopted Resolution 4351-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on February 22, 2021, the City Council of the City of Fort Bragg adopted Resolution 4358-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on March 8, 2021, the City Council of the City of Fort Bragg adopted Resolution 4363-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on March 22, 2021, the City Council of the City of Fort Bragg adopted Resolution 4366-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on April 12, 2021, the City Council of the City of Fort Bragg adopted Resolution 4376-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on April 26, 2021, the City Council of the City of Fort Bragg adopted Resolution 4381-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on May 10, 2021, the City Council of the City of Fort Bragg adopted Resolution 4385-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on May 24, 2021, the City Council of the City of Fort Bragg adopted Resolution 4391-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on June 14, 2021, the City Council of the City of Fort Bragg adopted Resolution 4396-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on June 28, 2021, the City Council of the City of Fort Bragg adopted Resolution 4405-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on July 12, 2021, the City Council of the City of Fort Bragg adopted Resolution 4418-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on July 26, 2021, the City Council of the City of Fort Bragg adopted Resolution 4422-2021 by which it continued the local emergency; and

WHEREAS, at a regular meeting on August 9, 2021, the City Council of the City of Fort Bragg adopted Resolution 4427-2021 by which it continued the local emergency; and

WHEREAS, at a special meeting on August 30, 2021, the City Council of the City of Fort Bragg adopted Resolution 4434-2021 by which it continued the local emergency; and

WHEREAS, at a special meeting on September 20, 2021, the City Council of the City of Fort Bragg adopted Resolution 4447-2021 by which it continued the local emergency;

NOW, THEREFORE, BE IT RESOLVED AND PROCLAIMED by the City Council of the City of Fort Bragg that for reasons set forth herein, said local emergency shall be deemed to continue to exist until the City Council of the City of Fort Bragg, State of California, proclaims its termination; and

BE IT FURTHER RESOLVED that the City Council of the City of Fort Bragg will review the need for continuing the local emergency at least once every 21 days until the City Council terminates the local emergency; and

BE IT FURTHER RESOLVED that this resolution confirming the continued existence of a local emergency shall be forwarded to the Director of the Governor's Office of Emergency Services and the Governor of the State of California, as well as the Mendocino County Office of Emergency Services.

The above and foregoing Resolution was introduced by Councilmember _____, seconded by Councilmember _____, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 12th day of October, 2021 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSED:

BERNIE NORVELL
Mayor

ATTEST:

June Lemos, CMC
City Clerk



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

Text File

File Number: 21-521

Agenda Date: 10/12/2021

Version: 1

Status: Consent Agenda

In Control: City Council

File Type: Minutes

Agenda Number: 5B.

Approve Minutes of September 27, 2021



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

Meeting Minutes City Council

*THE FORT BRAGG CITY COUNCIL MEETS CONCURRENTLY AS
THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT NO. 1
AND THE FORT BRAGG REDEVELOPMENT SUCCESSOR
AGENCY*

Monday, September 27, 2021

6:00 PM

Via Video Conference

CALL TO ORDER

Mayor Norvell called the meeting to order at 6:00 PM, all Councilmembers appearing via video conference.

PLEDGE OF ALLEGIANCE

ROLL CALL

Councilmember Rafanan joined the meeting at 6:09 PM.

Present: 5 - Mayor Bernie Norvell, Vice Mayor Jessica Morsell-Haye, Councilmember Tess Albin-Smith, Councilmember Lindy Peters and Councilmember Marcia Rafanan

AGENDA REVIEW

1. MAYOR'S RECOGNITIONS AND ANNOUNCEMENTS

Mayor Norvell summarized the changes to the City Manager's employment agreement under Item 5D on the Consent Calendar.

1A. [21-491](#) Presentation of Proclamation Recognizing the Week of September 26, 2021 as Banned Books Week

Councilmember Albin-Smith read the Proclamation recognizing the week of September 26, 2021 as Banned Books Week and presented it to Fort Bragg branch librarian Dan Hess and Library Advisory Board appointee Carolyn Schneider. Mr. Hess and Ms. Schneider both gave brief remarks on the importance of reading for fostering independent thought.

1B. [21-511](#) Presentation of Proclamation Recognizing September 15 - October 15 as Latino Heritage Month

Mayor Norvell read the Proclamation recognizing September 15 through October 15 as Latino Heritage Month and presented it to the City's Administrative Analyst, Cristal Muñoz, and her family.

2. PUBLIC COMMENTS ON: (1) NON-AGENDA, (2) CONSENT CALENDAR & (3) CLOSED SESSION ITEMS

(1) Keith Wyner spoke about water conservation matters. (2) None. (3) N/A.

3. STAFF COMMENTS

City Manager Miller asked for a volunteer to take over the responsibility of placing American flags in the Central Business District during appropriate holidays after Nancy Bennett retires from this duty next year. Miller gave an update on the new desalination unit that was delivered this week.

4. MATTERS FROM COUNCILMEMBERS

Councilmembers Morsell-Haye, Peters and Albin-Smith all gave reports on their attendance at last week's League of California Cities annual conference sessions in Sacramento.

5. CONSENT CALENDAR

Councilmember Peters requested that Item 5B be removed from the Consent Calendar so that he could recuse himself from voting on that item.

Approval of the Consent Calendar

A motion was made by Vice Mayor Morsell-Haye, seconded by Councilmember Peters, to approve the Consent Calendar, with the exception of Item 5B. The motion carried by the following vote:

Aye: 5 - Mayor Norvell, Vice Mayor Morsell-Haye, Councilmember Albin-Smith, Councilmember Peters and Councilmember Rafanan

- 5A. [21-492](#)** Adopt by Title Only and Waive the Second Reading of Ordinance 971-2021 Adding Chapter 7.18 (Feeding of Wildlife) to Title 7 (Animals) of the City of Fort Bragg Municipal Code to Prevent the Feeding of Wildlife in the City of Fort Bragg.

This Ordinance was adopted on the Consent Calendar.

Enactment No: ORD 971-2021

- 5C. [21-512](#)** Adopt City Council Resolution Making the Legally Required Findings to Authorize the Conduct of Remote "Telephonic" Meetings During the State of Emergency

This Resolution was adopted on the Consent Calendar.

Enactment No: RES 4449-2021

- 5D. [21-514](#)** Approve Third Amendment to City Manager Employment Agreement

This contract amendment was approved on the Consent Calendar.

- 5E. [21-489](#)** Receive and File Minutes of the April 14, 2021 Finance and Administration Committee Meeting

These Committee Minutes were received and filed on the Consent Calendar.

- 5F. [21-490](#)** Receive and File Minutes of the August 12, 2021 Public Works and

Facilities Committee Meeting

These Committee Minutes were received and filed on the Consent Calendar.

5G. [21-510](#)

Approve Minutes of Special Meeting of September 20, 2021

These Minutes were approved on the Consent Calendar.

ITEMS REMOVED FROM CONSENT CALENDAR**5B.** [21-506](#)

Adopt City Council Resolution Establishing a City of Fort Bragg Master Salary Rate Compensation Plan Confirming the Pay Rates/Ranges for All City of Fort Bragg Established Classifications

Councilmember Peters disclosed a conflict of interest due to his spouse's employment with the City of Fort Bragg and recused himself from voting on this agenda item.

Public Comment: None.

A motion was made by Vice Mayor Morsell-Haye, seconded by Councilmember Albin-Smith, that this Resolution be adopted. The motion carried by the following vote:

Aye: 4 - Mayor Norvell, Vice Mayor Morsell-Haye, Councilmember Albin-Smith and Councilmember Rafanan

Recuse: 1 - Councilmember Peters

Enactment No: RES 4448-2021

6. DISCLOSURE OF EX PARTE COMMUNICATIONS ON AGENDA ITEMS

Mayor Norvell disclosed brief conversations he held regarding Item 8A.

7. PUBLIC HEARING**8. CONDUCT OF BUSINESS****8A.** [21-497](#)

Receive Report and Consider Adoption of Urgency Ordinance No. 972-2021 Placing a 45-Day Moratorium on the Approval of Applications and Permits for Cannabis Dispensaries in the Inland Zoning Area

City Manager Miller presented the staff report on this agenda item.

Public Comment was received from Angelica Sanchez, Arturo Sanchez, Chelsea Haskins, Mark Pelter, Brandy Moulton, Daniel Schultz, Gina Austin and Andrew Jordan.

Discussion: After deliberating, the Council consensus was that a moratorium would allow the current ordinance to be cleaned up to provide consistent policies and messaging regarding cannabis dispensary locations, potential buffer zones, the definition of youth centers, and other aspects regarding the handling of applications for cannabis dispensary permitting.

A motion was made by Councilmember Peters, seconded by Councilmember Albin-Smith, that this Urgency Ordinance be adopted by title only, waiving the reading of the text. The motion carried by the following vote:

Aye: 5 - Mayor Norvell, Vice Mayor Morsell-Haye, Councilmember Albin-Smith, Councilmember Peters and Councilmember Rafanan

Enactment No: ORD 972-2021

8B. [21-508](#) Receive Report and Consider Establishing an Underground Utility District to Secure Rule 20 Work Credits and Avoid Becoming an Inactive District

Assistant Director - Engineering Division O'Neal presented the staff report on this agenda item.

Public Comment was received from Andrew Jordan.

Discussion: Councilmembers asked questions of a PG&E representative and held brief discussion regarding the project, funding, and specific area for a utility district. Council directed staff to proceed with an underground utility district project for the Chestnut Street district and schedule a public hearing to begin the process of forming the district.

This matter was referred to staff for further action.

8C. [21-504](#) Receive Report and Consider Adoption of City Council Resolution Approving a One-time Contribution to Mendocino Solid Waste Management Authority (MSWMA)

Mayor Norvell recessed the meeting at 8:13 PM; the meeting reconvened at 8:19 PM.

City Manager Miller summarized the staff report for this agenda item. As a member of the MSWMA board, Vice Mayor Morsell-Haye added to the report, giving background and intent of the request for the one-time contribution from the cities.

Public Comment was received from Jay McMartin Rosenquist.

Discussion: After brief discussion, the Council consensus was to approve the one-time payment to MSWMA, as this agency's services benefit the community. Council directed that the final paragraph of the resolution be amended to read as follows: NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg does hereby approve the \$13,600 one-time payment to MSWMA, so long as all member jurisdictions approve their portion of the payment.

A motion was made by Vice Mayor Morsell-Haye, seconded by Mayor Norvell, that this Resolution be adopted as amended. The motion carried by the following vote:

Aye: 5 - Mayor Norvell, Vice Mayor Morsell-Haye, Councilmember Albin-Smith, Councilmember Peters and Councilmember Rafanan

Enactment No: RES 4450-2021

9. CLOSED SESSION

BERNIE NORVELL, MAYOR

June Lemos, CMC, City Clerk

IMAGED (_____)



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
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Text File

File Number: 21-518

Agenda Date: 10/12/2021

Version: 1

Status: Public Hearing

In Control: City Council

File Type: Resolution

Agenda Number: 7A.

Receive Report, Conduct Public Hearing, and Consider Adoption of City Council Resolution Approving Coastal Development Permit Amendment 3-17/19/21, Design Review Amendment 5-17/19/21, and Lot Merger 1-21 of APN 018-340-04-00 and APN 018-340-06-00 for the Danco Mixed-Income Senior, Multi-family, and Permanently Supportive Housing Project Located at 441 South Street



AGENCY:	City Council
MEETING DATE:	October 12, 2021
DEPARTMENT:	Community Dev.
PRESENTED BY:	Kevin Locke
EMAIL ADDRESS:	klocke@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Public Hearing, and Consider Adoption of City Council Resolution Approving Coastal Development Permit Amendment 3-17/19/21, Design Review Amendment 5-17/19/21, and Lot Merger 1-21 of APN 018-340-04-00 and APN 018-340-06-00 for the Danco Mixed-Income Senior, Multi-family, and Permanently Supportive Housing Project Located at 441 South Street

APPLICATION NO.: Coastal Development Permit Amendment (CDP) 3-17/19/21, Design Review Amendment (DR) 5-17/19/21, Lot Merger (Merge)1-21

OWNER: Fort Bragg South Street LP

APPLICANT: Danco Builders Northwest

AGENT: Kirsten Thrap

PROJECT: Lot Merger

LOCATION: 441 South Street

APN: 018-340-04

ZONING: Very High Density Residential (RVH)

ENVIRONMENTAL DETERMINATION: Categorically exempt from CEQA pursuant to section 15305(a) Minor Alterations in Land Use Limitations

SURROUNDING LAND USES:
 NORTH: Hospital, Multi-family Housing
 EAST: Single Family Residential & Noyo River
 SOUTH: Single Family Residential
 WEST: Multi-family residential

PLANNING COMMISSION RECOMMENDATION: On September 22, 2021, the Planning Commission of the City of Fort Bragg recommended approval of Lot Merger 1-21, CDP Amendment 3-17/19/21 and DR Amendment 5-17/19/21.

AGENDA ITEM NO. 7A

ANALYSIS:

Over the past several years, the City has been working with Danco (project applicant) to develop an affordable housing project on the vacant parcel located at the end of South Street toward Kemppe Way. In 2017, City Council approved Design Review (DR) 5-17 and Coastal Development Permit (CDP) 3-17 to construct three single story affordable senior residential cottages and seven market-rate duplexes. Due to insufficient financing, the project was unable to be completed at the time. This subsequently led to a grant-funded project with a revised buildout configuration. In 2019, Planning Commission approved CDP amendment 3-19 and DR amendment 5-19.

As approved, the project design is based on the “pocket neighborhood” concept and includes common buildings within each component. The project includes: 1) Twenty-three (23) single-story affordable senior residential cottages ranging from 608 to 756 square feet, a 960 square foot commons building, a pickleball court and 27 parking spaces; and 2) Twenty (20) single-story permanent supportive residential housing units ranging from 608 to 756 square feet, a 2,205 square foot commons building, a basketball court, five (5) parking spaces, and a manager's unit; and 3) Twenty-five (25) two-story, workforce/family townhome units consisting of residential duplexes/triplexes, ranging from 1,000 to 1,200 square feet (2 and 3 bedrooms), a 960 square foot commons building, a playground, a basketball court, and 38 parking spaces; as well as landscaping, bicycle parking, internal associated driveways, and walkways throughout the development. The project broke ground in 2020 and is anticipated to be completed in 2022.

During the building permit process, staff determined that a previously unaccounted parcel on the eastern portion of the property would prevent the project from meeting applicable zoning regulations related to setbacks. This determination prompted the request to submit a lot merger to incorporate the existing undevelopable lot to create one larger lot.

PROJECT DESCRIPTION:

The applicant is proposing to amend Coastal Development Permit 3-19 and Design Review 5-19 to allow for the merger of two parcels at the end of South Street toward Kemppe Way. The parcels are located on a roughly eight-acre site in a Very High Density Residential (RVH) zone. A site map with the proposed lots are lot 71 (APN 018-340-04-00) and lot 72 (APN 018-340-06-00) as shown in **Figure 1** below.

Lot 71 is a roughly 4.2-acre site and is the main parcel currently under development for the Danco project.

Lot 72 is a narrow 10,106 sq. ft. undevelopable site on the western portion of the site.

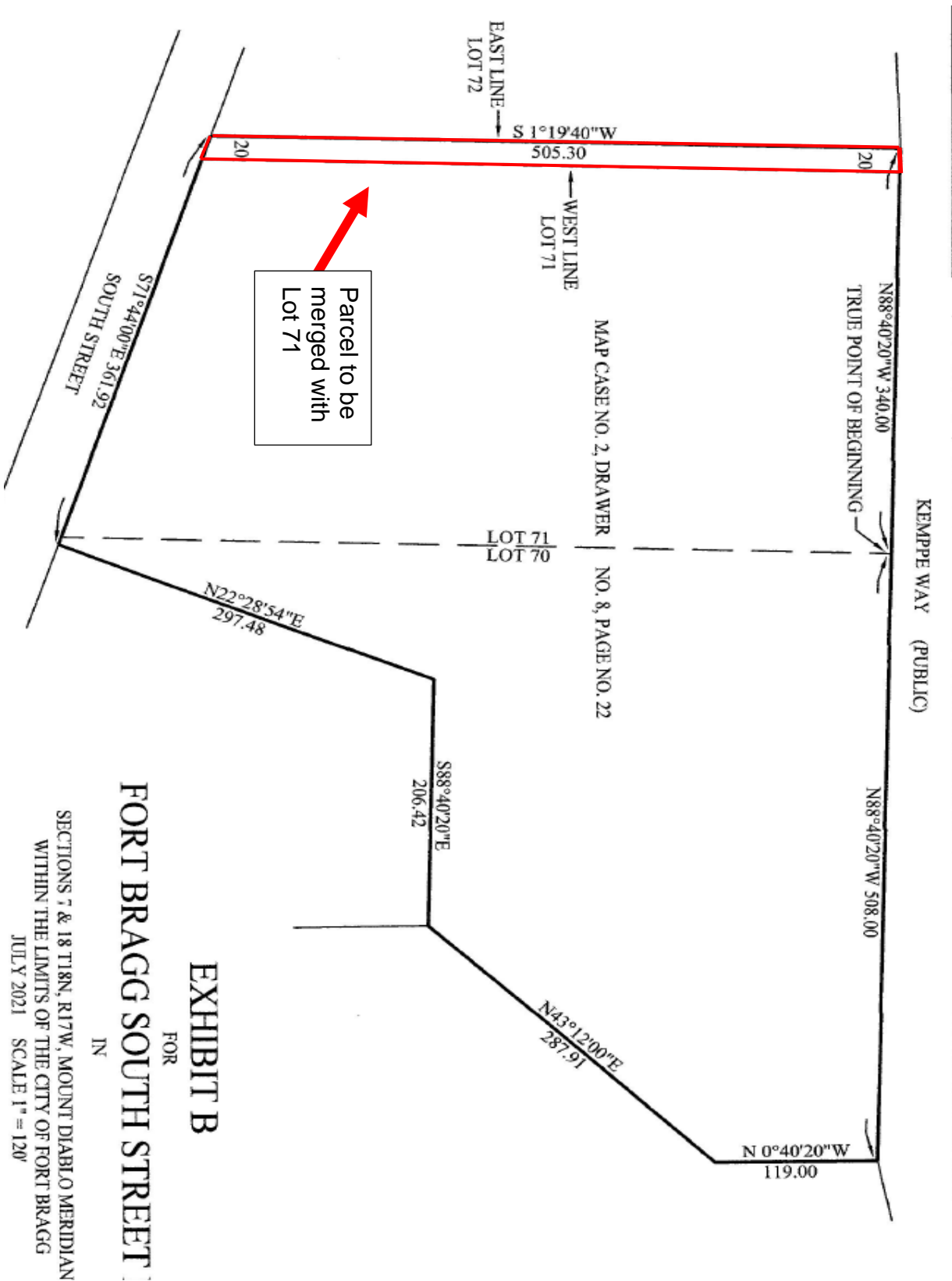


Figure 1 – Proposed Lot Merger

CONSISTENCY WITH PLANNING POLICIES:

Lot Merger

Under Coastal Land Use and Development Code (CLUDC) section 17.84.050 – Parcel Merger:

“A parcel or unit may be merged with a contiguous parcel or unit held by the same owner if any one of the contiguous parcels or units held by the same owner does not conform to standards for minimum parcel size as identified by this Development Code applicable to the parcels or units of land, and if all of the requirements of Map Act Section 66451.11 are satisfied.”

The proposed parcels are contiguous and are held by the same owner. A very high-density residential zone does not have minimum parcel size, and is established during the subdivision process. When establishing subdivision standards/minimum sizes, the proposed lots also must be able to comply with development standards established in CLUDC section 17.21.050. Currently, Lot 72 is preventing the proposed subdivision from meeting the minimum setback requirements as provided in 17.21.050 and amended in CDP 3-19 (10 feet). Once merged, the subdivision shall conform to the standards for minimum parcel size, thus complying with all requirements set forth in Map Act Section 66451.11 for a merger.

RECOMMENDED ACTION:

Hold a hearing and consider adoption of a resolution of the Fort Bragg City Council approving CDP amendment 3-17/19/21, DR Amendment 5-17/19/21, and Lot Merger 1-21.

ALTERNATIVE ACTION(S):

Continue the hearing to a later date.

ENVIRONMENTAL DETERMINATION:

Lot line adjustments which do not create any new parcels are exempt from CEQA (Class 5 exemption) as provided in Section 15305(a) of the CEQA Guidelines.

FISCAL IMPACT:

N/A

GREENHOUSE GAS EMISSIONS IMPACT:

N/A

CONSISTENCY:

The proposed lot merger is consistent with the Subdivision Map Act and Coastal Land Use and Development Code section 17.84.050, Parcel Merger.

GENERAL FINDINGS:

See **Attachment 3** for general findings related to CDP 3-19.

COASTAL DEVELOPMENT PERMIT FINDINGS:

See **Attachment 3** for general findings related to CDP 3-19.

STANDARD CONDITIONS:

See **Attachment 3** for standard conditions related to CDP 3-19 and DR 5-19.

SPECIAL CONDITIONS:

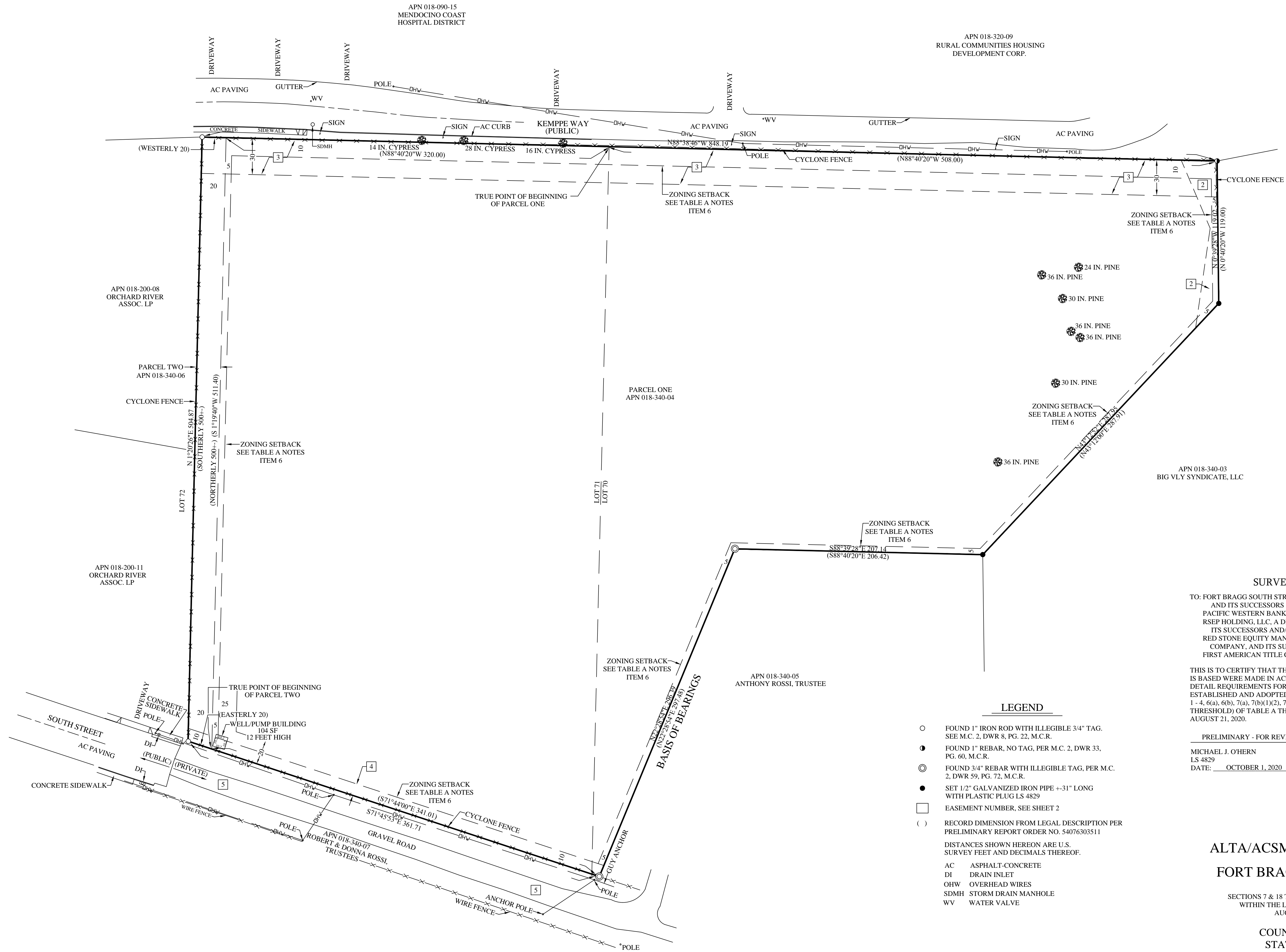
See **Attachment 3** for special conditions related to CDP 3-19 and DR 5-19. No special conditions are proposed by staff related to the lot merger.

ATTACHMENTS:

- 1 – ALTA Map
- 2 – Grant Deed and Legal Description
- 3 – PC Resolution 3-2019
- 4 – Staff Report CDP 3-19 & DR 5-19
- 5 – Resolution Danco Merger
- 6 – Public Hearing Notice

NOTIFICATION:

- 1 – Kirsten Thrap
- 2 – Public Hearing Notice Notify Me Subscribers



APN 018-200-08
ORCHARD RIVER
ASSOC. LP

PARCEL TWO
APN 018-340-06

APN 018-200-11
ORCHARD RIVER
ASSOC. LP

APN 018-090-15
MENDOCINO COAST
HOSPITAL DISTRICT

APN 018-320-09
RURAL COMMUNITIES HOUSING
DEVELOPMENT CORP.

PARCEL ONE
APN 018-340-04

APN 018-340-03
BIG VLY SYNDICATE, LLC

APN 018-340-05
ANTHONY ROSSI, TRUSTEE

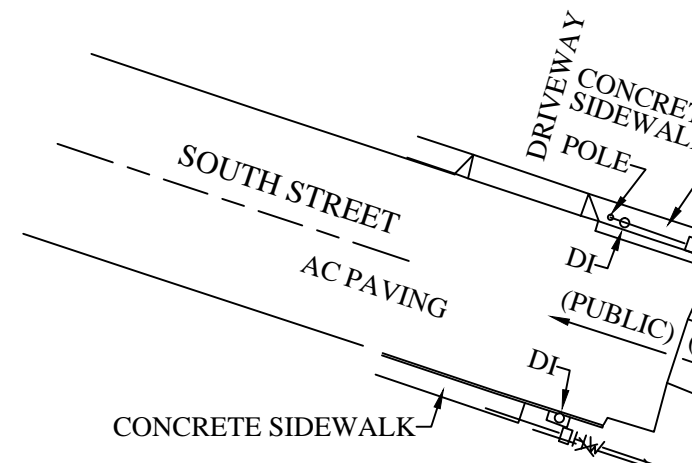
TRUE POINT OF BEGINNING
OF PARCEL TWO

ZONING SETBACK
SEE TABLE A NOTES
ITEM 6

ZONING SETBACK
SEE TABLE A NOTES
ITEM 6

ZONING SETBACK
SEE TABLE A NOTES
ITEM 6

ZONING SETBACK
SEE TABLE A NOTES
ITEM 6



LEGEND

- FOUND 1" IRON ROD WITH ILLEGIBLE 3/4" TAG. SEE M.C. 2, DWR 8, PG. 22, M.C.R.
 - FOUND 1" REBAR, NO TAG, PER M.C. 2, DWR 33, PG. 60, M.C.R.
 - ⊙ FOUND 3/4" REBAR WITH ILLEGIBLE TAG, PER M.C. 2, DWR 59, PG. 72, M.C.R.
 - SET 1/2" GALVANIZED IRON PIPE +31" LONG WITH PLASTIC PLUG LS 4829
 - EASEMENT NUMBER, SEE SHEET 2
 - () RECORD DIMENSION FROM LEGAL DESCRIPTION PER PRELIMINARY REPORT ORDER NO. 54076303511
- DISTANCES SHOWN HEREON ARE U.S. SURVEY FEET AND DECIMALS THEREOF.
- AC ASPHALT-CONCRETE
DI DRAIN INLET
OHV OVERHEAD WIRES
SDMH STORM DRAIN MANHOLE
WV WATER VALVE

SURVEYOR'S STATEMENT

TO: FORT BRAGG SOUTH STREET LP, A CALIFORNIA LIMITED PARTNERSHIP, AND ITS SUCCESSORS AND/OR ASSIGNS
PACIFIC WESTERN BANK, A CALIFORNIA STATE-CHARTERED BANK
RSEP HOLDING, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND ITS SUCCESSORS AND/OR ASSIGNS
RED STONE EQUITY MANAGER, LLC, A DELAWARE LIMITED LIABILITY COMPANY, AND ITS SUCCESSORS AND/OR ASSIGNS
FIRST AMERICAN TITLE COMPANY

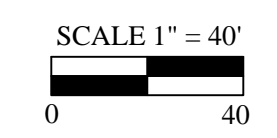
THIS IS TO CERTIFY THAT THIS MAP OR PLAT AND THE SURVEY ON WHICH IT IS BASED WERE MADE IN ACCORDANCE WITH THE 2016 MINIMUM STANDARD DETAIL REQUIREMENTS FOR ALTA/NSPS LAND TITLE SURVEYS, JOINTLY ESTABLISHED AND ADOPTED BY ALTA AND NSPS, AND INCLUDES ITEMS 1 - 4, 6(a), 6(b), 7(a), 7(b)(1)(2), 7(c), 8, 9, 10(a), 10(b), 11, 13, 14, 16 - 20 (\$1,000,000 MINIMUM THRESHOLD) OF TABLE A THEREOF. THE FIELD WORK WAS COMPLETED ON AUGUST 21, 2020.

PRELIMINARY - FOR REVIEW
MICHAEL J. O'HERN
LS 4829
DATE: OCTOBER 1, 2020



ALTA/ACSM LAND TITLE SURVEY
FOR
FORT BRAGG SOUTH STREET LP
IN
SECTIONS 7 & 18 T18N, R17W, MOUNT DIABLO MERIDIAN
WITHIN THE LIMITS OF THE CITY OF FORT BRAGG
AUGUST 2020 SCALE 1" = 40'

COUNTY OF MENDOCINO
STATE OF CALIFORNIA
KELLY-O'HERN ASSOCIATES
3240 MOORE AVENUE
EUREKA, CALIFORNIA 95501
(707)442-7283



NOTES

1. THIS SURVEY IS BASED ON A PRELIMINARY REPORT BY FIRST AMERICAN TITLE COMPANY, ORDER NO. 54076303511 DATED: JULY 9, 2020
 LEGAL DESCRIPTION:
 REAL PROPERTY IN THE CITY OF FORT BRAGG, COUNTY OF MENDOCINO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:
 PARCEL ONE:
 COMMENCING AT THE SECTION CORNER COMMON TO SECTIONS 1 AND 12, TOWNSHIP 18 NORTH, RANGE 18 WEST AND SECTIONS 6 AND 7, TOWNSHIP 18 NORTH, RANGE 17 WEST, MOUNT DIABLO MERIDIAN; THENCE EAST, 2,670 FEET; THENCE SOUTH 5,310 FEET; THENCE WEST, 320 FEET TO THE TRUE POINT OF BEGINNING (SAID TRUE POINT OF BEGINNING ALSO BEING THE NORTH CORNER COMMON TO LOTS 70 AND 71 OF UNION LUMBER COMPANY, SUBURBAN LOTS AS SHOWN ON THAT CERTAIN RECORD OF SURVEY MAP FILED FOR RECORD FEBRUARY 3, 1967 IN MAP CASE 2, DRAWER 8, PAGE 22, MENDOCINO COUNTY RECORDS.)
 THENCE FROM SAID POINT OF BEGINNING AND ALONG EXTERIOR BOUNDARIES OF THE FOLLOWING DESCRIBED PARCEL, NORTH 88°40'20" WEST, 320.00 FEET TO THE NORTHWEST CORNER OF SAID LOT 71; THENCE ALONG THE WESTERLY LINE OF SAID LOT 71, SOUTH 01°19'40" WEST, 511.40 FEET TO THE SOUTHWEST CORNER OF SAID LOT 71 AND THE NORTHERLY LINE OF SOUTH STREET; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT 71 AND LOT 70 AND SAID NORTHERLY LINE OF SOUTH STREET, SOUTH 71°44'00" EAST, 341.01 FEET; THENCE LEAVING SAID NORTHERLY LINE OF SOUTH STREET, NORTH 22°28'54" EAST, 297.48 FEET; THENCE SOUTH 88°40'20" EAST, 206.42 FEET TO A POINT ON THE EASTERLY LINE OF THE LANDS OF JOE J. ROSSI AS SHOWN ON AFORESAID RECORD OF SURVEY MAP; THENCE ALONG SAID EASTERLY LINE, NORTH 43°12'00" EAST, 287.91 FEET; THENCE NORTH 00°40'20" WEST, 119.00 FEET TO THE NORTH LINE OF SAID LANDS OF JOE J. ROSSI AND THE NORTHERLY LINE OF SAID LOT 70; THENCE ALONG SAID NORTHERLY LINE OF SAID LOT 70, NORTH 88°40'20" WEST, 508.00 FEET TO THE TRUE POINT OF BEGINNING.
 PARCEL TWO:
 THAT PART OF THE NORTH ONE-HALF (N1/2) OF THE NORTHWEST QUARTER (NW1/4) OF SECTION EIGHTEEN (18), TOWNSHIP EIGHTEEN (18) NORTH, RANGE SEVENTEEN (17) WEST, M. D.B.M., PARTICULARLY DESCRIBED AS FOLLOWS, TO WIT:
 COMMENCING AT THE SOUTHWESTERLY CORNER OF LOT SEVENTY ONE (71) OF A CERTAIN SUBDIVISION IN SAID NORTH ONE-HALF (N1/2) OF THE NORTHWEST QUARTER (NW1/4) OF SAID SECTION EIGHTEEN (18) TOWNSHIP EIGHTEEN (18) NORTH, RANGE SEVENTEEN (17) WEST FOR THE POINT OF BEGINNING; THENCE AROUND THE PIECE OR PARCEL OF LAND TO BE CONVEYED BY THE FOLLOWING COURSES AND DISTANCES:
 NORTHERLY AND ALONG THE WESTERLY BOUNDARY LINE OF SAID LOT SEVENTY-ONE (71) FIVE HUNDRED (500) FEET MORE OR LESS TO THE NORTHERLY BOUNDARY LINE OF LOT SEVENTY-ONE (71); THENCE WESTERLY TWENTY (20) FEET TO THE EASTERLY BOUNDARY LINE OF LOT SEVENTY-TWO (72); THENCE SOUTHERLY AND ALONG THE EASTERLY BOUNDARY LINE OF LOT SEVENTY-TWO (72) FIVE HUNDRED (500) FEET MORE OR LESS, TO THE SOUTHERLY BOUNDARY LINE OF LOT SEVENTY-TWO (72); THENCE EASTERLY AND ALONG THE NORTHERLY BOUNDARY LINE OF A CERTAIN LANE, OR ROAD, TWENTY (20) FEET, MORE OR LESS, TO THE POINT OF BEGINNING.
 APN: 018-340-04-00 (AFFECTS: PARCEL ONE) AND 018-340-06-00 (AFFECTS: PARCEL TWO)
 2. NO EVIDENCE WAS OBSERVED INDICATING THAT THIS SITE HAS BEEN USED AS A SOLID WASTE DUMP, SUMP OR SANITARY LANDFILL.
 3. NO EVIDENCE OF A CEMETERY OR BURIAL GROUNDS WAS OBSERVED.
 4. ONLY THE TREES SHOWN HEREON WERE LOCATED BY THIS SURVEY, OTHER TREES EXIST ON SUBJECT PROPERTY. THERE ARE NUMEROUS TREE STUMPS ALONG THE NORTHERLY AND WESTERLY PROPERTY LINES BUT NOT TIED BY THIS SURVEY.
 5. NO OVERLAPS OR ENCROACHMENTS WERE FOUND ON THIS PROPERTY.

SURVEY NOTES

- A. THE LOCATION OF THE BOUNDARY OF THIS PARCEL IS BASED ON MONUMENTS ILLUSTRATED ON THE RECORD OF SURVEY FILED IN MAP CASE 2 DRAWER 59 PAGE 72.
- B. MISSING MONUMENTS ALONG THE EASTERLY LINE OF THIS PROPERTY WHICH WERE SET BY THIS SURVEY WERE CALCULATED BY GRANT BOUNDARY ADJUSTMENT USING DIMENSIONS FROM MAP CASE 2 DRAWER 59 PAGE 72.

TABLE A NOTES

- ITEM 1 SEE SHEET ONE FOR LOCATIONS OF FOUND MONUMENTS. SEE LEGEND ON SHEET ONE FOR DESCRIPTIONS OF FOUND MONUMENTS.
- ITEM 2 THE ADDRESS OF THE SUBJECT PROPERTY IS 441 SOUTH STREET, FORT BRAGG, CA
- ITEM 3 ACCORDING TO FLOOD INSURANCE RATE MAP NO. 06045C1016G, WITH A DATE OF IDENTIFICATION OF JULY 17, 2017, FOR COMMUNITY NUMBER 060184 IN MENDOCINO COUNTY, STATE OF CALIFORNIA, THE SUBJECT PROPERTY IS LOCATED WITHIN FLOOD ZONE X (AREAS OF MINIMAL FLOODING).
- ITEM 4 GROSS AREA: 355,623 SQUARE FEET
8.16 ACRES
- ITEM 6 ZONING: RVH (VERY HIGH DENSITY RESIDENTIAL)
 MINIMUM LOT AREA, MINIMUM LOT WIDTH, MINIMUM LOT DEPTH AND MAXIMUM LOT DEPTH - DETERMINED BY THE REVIEW AUTHORITY DURING THE SUBDIVISION PROCESS, CONSISTENT WITH THE COASTAL GENERAL PLAN
 MAXIMUM HEIGHT LIMIT: 45 FEET
 MINIMUM YARD SETBACK: FRONT - 20 FEET, BUT NO CLOSER THAN 25 FEET TO A CITY STREET
 SIDE-INTERIOR - 5 FEET EXCEPT 10 FEET FOR SINGLE-STORY AND 20 FEET FOR MULTI-STORY BUILDINGS OF 3 OR MORE UNITS ON A SITE ABUTTING AN RS OR RL ZONE
 SIDE-STREET SIDE - 10 FEET
 REAR - 20 FEET ABUTTING AN RS OR RL ZONE, 10 FEET ELSEWHERE
 MAXIMUM GROUND COVERAGE: N.A.
 ZONING INFORMATION SHOWN HEREON IS FROM THE CITY OF FORT BRAGG ZONING CODE AVAILABLE ON THE CITY OF FORT BRAGG WEBSITE
 ZONING SETBACK LINES SHOWN ON SHEET 1 ARE FROM THE PROJECT ARCHITECT, WHO HAS STATED THAT THESE SETBACKS ARE FROM THE APPROVED CDP.
- ITEM 7 SEE SHEET ONE FOR LOCATION, SIZE AND SQUARE FOOTAGE OF EXISTING BUILDING ON THE SUBJECT PROPERTY.
NO OTHER AREAS WERE SPECIFIED BY THE CLIENT.
- ITEM 8 SEE SHEET ONE FOR LOCATIONS OF SUBSTANTIAL FEATURES OBSERVED IN THE PROCESS OF CONDUCTING THE FIELDWORK.
- ITEM 9 THERE ARE NO CLEARLY IDENTIFIABLE PARKING SPACES ON THE SUBJECT PROPERTY.
- ITEM 10 THERE ARE NO DIVISION OR PARTY WALLS ON THE SUBJECT PROPERTY.
- ITEM 11 SEE SHEET ONE FOR LOCATIONS OF UTILITIES EXISTING ON OR SERVING THE SUBJECT PROPERTY. 811 LOCATION SERVICE IS NOT AVAILABLE FOR MAPPING PURPOSES THUS THERE HAVE BEEN NO UTILITIES MARKED BY 811 LOCATION SERVICES ON THIS PROPERTY.
 UNDERGROUND DISCLAIMER: ONLY THOSE UNDERGROUND FEATURES NOTED ON THIS MAP HAVE BEEN LOCATED BY THIS SURVEY. THE PRESENCE OR ABSENCE OF ADDITIONAL UNDERGROUND UTILITIES OR OTHER FEATURES IS NOT GUARANTEED BY THIS MAP, AND NO LIABILITY IS ASSUMED FOR ANY SUCH ITEMS.
- ITEM 13 SEE SHEET ONE FOR NAMES OF ADJOINING OWNERS ACCORDING TO THE CURRENT TAX RECORDS.
- ITEM 14 ACCESS TO A PUBLIC RIGHT OF WAY, KNOWN AS KEMPE WAY, IS BASED ON FRONTAGE THEREON, SEE SHEET 1. THE STATUS OF KEMPE WAY AS A PUBLIC RIGHT OF WAY IS BASED ON INFORMATION FROM THE CITY ENGINEER'S OFFICE. THERE ARE NO CURB CUTS OR DRIVEWAYS THAT ACCESS KEMPE WAY.
- ITEM 16 THERE IS NO INDICATION OF RECENT BUILDING CONSTRUCTION OR BUILDING ADDITIONS.
- ITEM 17 THERE ARE NO PROPOSED CHANGES TO STREET RIGHT OF WAY LINES. NO EVIDENCE OF RECENT STREET OR SIDEWALK CONSTRUCTION OR REPAIRS WAS OBSERVED.
- ITEM 18 NO WETLAND DELINEATION WAS PROVIDED AND NO WETLANDS WERE OBSERVED.
- ITEM 19 SEE SHEET 1 FOR ANY PLOTTABLE OFFSITE EASEMENTS OR SERVITUDES (NONE)
- ITEM 20 PROFESSIONAL LIABILITY INSURANCE POLICY OBTAINED BY THE SURVEYOR IN THE AMOUNT OF \$1,000,000 TO BE IN EFFECT THROUGHOUT THE CONTRACT TERM. CERTIFICATE OF INSURANCE TO BE FURNISHED UPON REQUEST.

EASEMENTS AND EXCEPTIONS LISTED IN A PRELIMINARY REPORT BY FIRST AMERICAN TITLE COMPANY, ORDER NO. 54076303511, DATED JULY 9, 2020. NUMBERS CORRESPOND TO NUMBERS IN THE REPORT.

- 1 TAXES OR ASSESSMENTS - BLANKET IN NATURE - AFFECTS THE PROPERTY BUT IS UNPLOTTABLE.
- 2 BOOK 484 O.R., PAGE 67 - EASEMENT FOR WIRES AND CABLES FOR THE TRANSMISSION OF ELECTRIC ENERGY, COMMUNICATION AND INCIDENTAL PURPOSES GRANTED TO PACIFIC GAS AND ELECTRIC COMPANY - SHOWN HEREON.
- 3 BOOK 1253 O.R., PAGE 533 AND BOOK 1286 O.R., PAGE 393 - 30 FOOT WIDE EASEMENT FOR LIGHT AND AIR GRANTED TO RURAL COMMUNITIES HOUSING DEVELOPMENT CORPORATION - SHOWN HEREON.
- 4 INSTRUMENT NO. 2004-17391, INSTRUMENT NO. 2007-18154 AND INSTRUMENT NO. 2008-20008 - EASEMENT FOR A WATERLINE - SHOWN HEREON.
- 5 POSSIBLE RIGHTS OF THE ADJOINING PROPERTY OWNERS TO USE OR PASS THROUGH THE HEREIN DESCRIBED PROPERTY FOR ACCESS TO THEIR RESPECTIVE LOTS BASED UPON ANY CLAIM OR ASSERTED CLAIM THAT SUCH RIGHTS HAVE BEEN ESTABLISHED BY PROVEN USE OVER A PERIOD OF TIME PURSUANT TO THE ESTABLISHMENT OF SAID PROPERTY ON THE MAP OF THE SUBURBAN LOTS SOUTH OF FORT BRAGG AS A ROADWAY ALONG THE SOUTHERLY BOUNDARY OF LOT 70 - SHOWN HEREON.
- 6 WATER RIGHTS, CLAIMS OR TITLE TO WATER, WHETHER OR NOT SHOWN BY THE PUBLIC RECORDS - BLANKET IN NATURE - AFFECTS THE PROPERTY BUT IS UNPLOTTABLE.
- 7 THE NEW LENDER, IF ANY, FOR THIS TRANSACTION MAY BE A NON-INSTITUTIONAL LENDER. IF SO, THE COMPANY WILL REQUIRE THE DEED OF TRUST TO BE SIGNED BEFORE A FIRST AMERICAN APPROVED NOTARY - BLANKET IN NATURE - AFFECTS THE PROPERTY BUT IS UNPLOTTABLE.

VICINITY MAP



-NOT TO SCALE-

ALTA/ACSM LAND TITLE SURVEY
 FOR
FORT BRAGG SOUTH STREET LP
 IN

SECTIONS 7 & 18 T18N, R17W, MOUNT DIABLO MERIDIAN
 WITHIN THE LIMITS OF THE CITY OF FORT BRAGG
 AUGUST 2020

COUNTY OF MENDOCINO
 STATE OF CALIFORNIA

KELLY-O'HERN ASSOCIATES
 3240 MOORE AVENUE
 EUREKA, CALIFORNIA 95501
 (707)442-7283

**When Recorded Mail Document
and Tax Statement To:**

Fort Bragg South Street, LP
5251 Ericson Way
Arcata, CA 95521

SPACE ABOVE THIS LINE FOR RECORDER'S
USE

**GRANT DEED FOR VOLUNTARY MERGER OF PARCELS
APN: 018-340-04 & 018-340-06
441 SOUTH STREET**

The undersigned grantor(s) declare(s)
DOCUMENTARY TRANSFER TAX IS \$ 0.00 R&T Code Section 11925(d)

- [] computed on full value of property conveyed, or
- [] computed on full value less value of liens or encumbrances remaining at time of sale,
- [] Unincorporated Area City of Fort Bragg

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
Fort Bragg South Street LP, a California limited partnership
Hereby GRANTS to
Fort Bragg South Street LP, a California limited partnership

The following described real property in the City of Fort Bragg, County of Mendocino, State of California:

That real property described in Exhibit A and illustrated on Exhibit B attached hereto and made a part thereof.

This deed is recorded pursuant to Government Code Section 66499.20.3 and is intended to memorialize Voluntary Merger No. LLA 2-21 to effectuate the merger of lots or parcels in common ownership to create a single, legal parcel within the meaning of Civil Code Section 1093.

DATED: _____, 2021

Fort Bragg South Street LP, a California limited partnership

ADMINISTRATIVE GENERAL PARTNER:

Johnson & Johnson Investments, LLC,
a California limited liability company

By: _____

Daniel J. Johnson, Member

CO-ADMINISTRATIVE GENERAL PARTNER:

Danco Communities, a California corporation

By: _____

Daniel J. Johnson, President

MAIL TAX STATEMENTS AS DIRECTED ABOVE

MANAGING GENERAL PARTNER:

Community Revitalization and Development Corporation, a California nonprofit public benefit corporation

By: _____

David Rutledge, President

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)SS
COUNTY OF _____)

On _____ before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____)SS
COUNTY OF _____)

On _____ before me, _____, a notary public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____

MAIL TAX STATEMENTS AS DIRECTED ABOVE

EXHIBIT A

That certain real property situated in the City of Fort Bragg, County of Mendocino, State of California and being a portion of sections 7 and 18, Township 18 North, Range 17 West, Mount Diablo Meridian, more particularly described as follows:

Commencing at the section corner common to Sections 1 and 12, Township 18 North, Range 18 West and Sections 6 and 7, Township 18 North, Range 17 West, Mount Diablo Meridian;

thence East, 2,670 feet;

thence South 5,310 feet;

thence West 320 feet to the TRUE POINT OF BEGINNING (said true point of beginning also being the North corner common to Lots 70 and 71 of Union Lumber Company Suburban Lots as shown on that certain Record of Survey Map filed for record February 3, 1967 in Map Case 2, Drawer 8, Page 22, Mendocino County Records);

thence from said TRUE POINT OF BEGINNING and along the exterior boundaries of the following described parcel, North 88 degrees 40 minutes 20 seconds West, 340.00 feet to the Northeast corner of Lot 72 as shown on said map;

thence South 01 degrees 19 minutes 40 seconds West, 505.30 feet to the Southeast corner of said Lot 72 and the Northerly line of South Street;

thence South 71 degrees 44 minutes 00 seconds East, along the Southerly line of said Lots 71 and 70 and the Northerly line of South Street, 361.92 feet to the Easterly line of that parcel of land described in Book 2192 Official Records, Page 22;

thence leaving said Northerly line of South Street, and along the Easterly line of said parcel, North 22 degrees 28 minutes 54 seconds East, 297.48 feet;

thence continuing along said parcel, South 88 degrees 40 minutes 20 seconds East, 206.42 feet to a point on the Easterly line of the lands of Joe J. Rossi as shown on aforesaid Record of Survey Map

thence along said Easterly line, North 43 degrees 12 minutes 00 seconds East, 287.91 feet;

thence North 00 degrees 40 minutes 20 seconds West, 119.00 feet to the North line of said lands of Joe J. Rossi and the Northerly line of said Lot 70;

thence along said Northerly line of said Lot 70, North 88 degrees 40 minutes 20 seconds West, 508.00 feet, more or less, to the TRUE POINT OF BEGINNING.

This description is based on record dimensions from Record of Survey Maps filed for record February 3, 1967 in Map Case 2, Drawer 8, Page 22, Mendocino County Records and November 21, 1994 in Map Case 2, Drawer 59, Page 72, Mendocino County Records.

Prepared by:

Michael J. O'Hern FOR REVIEW

Michael J. O'Hern

LS 4829

Dated:

7-27-21

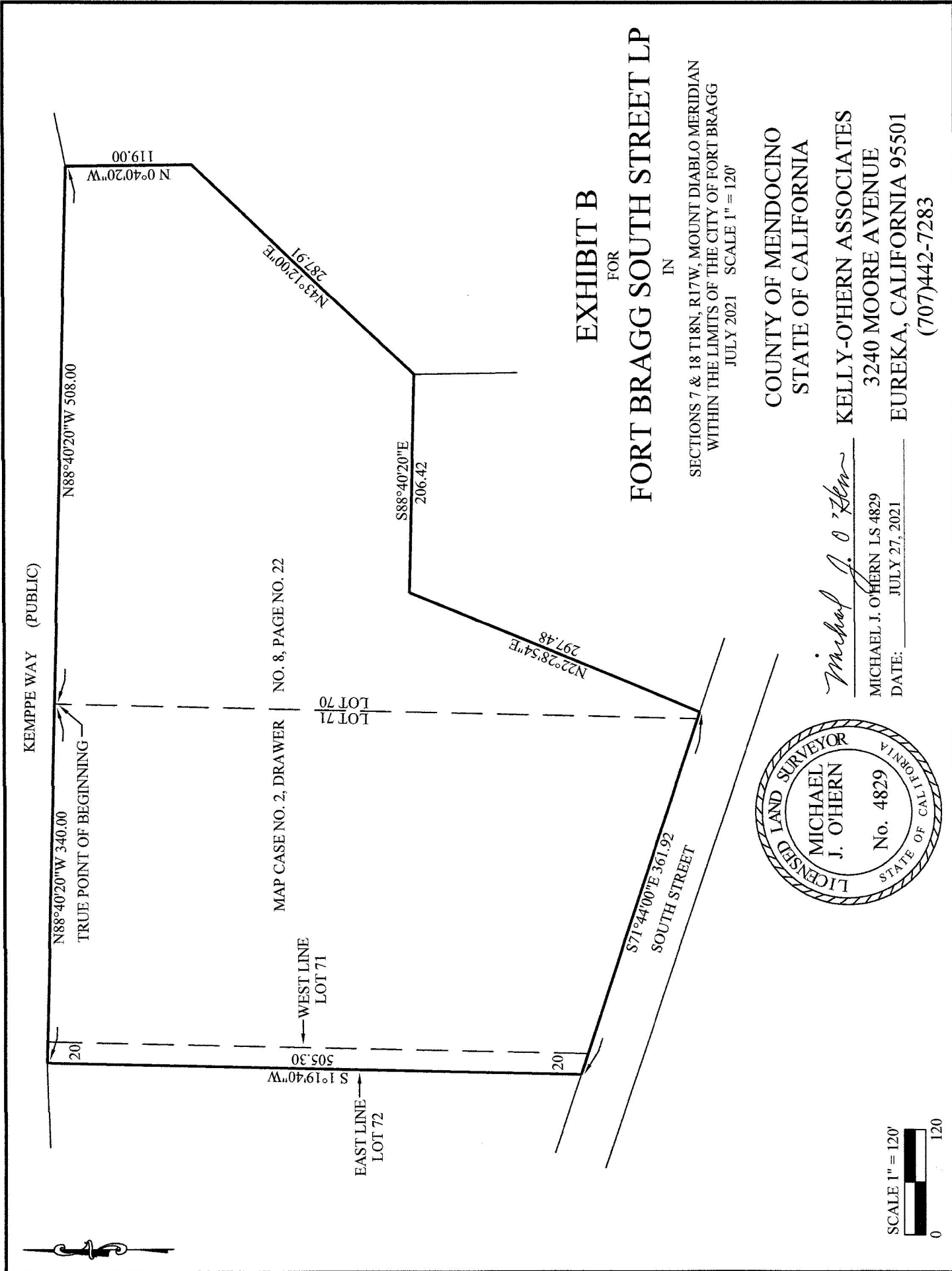
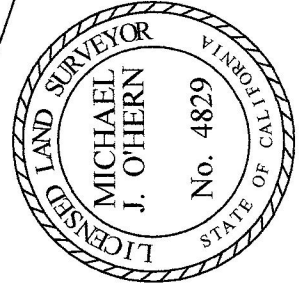


EXHIBIT B
FOR
FORT BRAGG SOUTH STREET LP

IN
SECTIONS 7 & 18 T18N, R17W, MOUNT DIABLO MERIDIAN
WITHIN THE LIMITS OF THE CITY OF FORT BRAGG
JULY 2021 SCALE 1" = 120'

COUNTY OF MENDOCINO
STATE OF CALIFORNIA
KELLY-O'HERN ASSOCIATES
3240 MOORE AVENUE
EUREKA, CALIFORNIA 95501
(707)442-7283

Michael J. O'Hern
MICHAEL J. O'HERN LS 4829
DATE: JULY 27, 2021



RESOLUTION NO. 3-2019

RESOLUTION OF THE FORT BRAGG PLANNING COMMISSION AUTHORIZING TWO AFFORDABLE HOUSING INCENTIVES AND APPROVING COASTAL DEVELOPMENT PERMIT 3-17/19 AND DESIGN REVIEW DR 5-17/19 FOR A PROPOSED MIXED-INCOME SENIOR, MULTI-FAMILY AND PERMANENTLY SUPPORTIVE HOUSING PROJECT LOCATED AT 441 SOUTH STREET (APN 018-340-04)

WHEREAS, Danco Communities ("Danco") has applied for a Coastal Development Permit, Design Review to allow construction of: 1) Twenty permanent supportive residential cottages ranging from 616 to 830 square feet, a 3,000 square foot commons building, walkways and a full size basketball court and a manager's unit; and 2) Twenty-five single-story affordable senior residential cottages ranging from 616 to 848 square feet, a 1,200 square foot commons building, two 440 square foot Common utility buildings, a manager's unit, walkways and 29 parking spaces and Associated driveway; and 3) Twenty-three two-story, workforce/family residential duplex units, ranging from 1,000 to 1,200 square feet (2 and 3 bedrooms), landscaping, playground and 36 covered Parking spaces and with associated driveways per the CLUDC and the Coastal General Plan.

WHEREAS, ninety-eight percent (98%) of the dwelling units are proposed as affordable rentals that limited to low income households; and

WHEREAS, State housing law (Government Code Section 65915) requires jurisdictions to approve from one to three "affordable housing incentives" (i.e., reductions in requirements of the zoning code) for affordable housing projects; and

WHEREAS, under the applicable statute for affordable housing incentives, the Danco Project is eligible for three planning incentives; and

WHEREAS, Danco has requested only two affordable housing incentives: 1) a front yard setback reduction from the required 25 feet to 10 feet; and 2) a parking reduction from the required 170 spaces to 70 spaces in conformance with Assembly Bill No. 744; and

WHEREAS, on February 12, 2019, at a duly noticed public meeting, the Fort Bragg Planning Commission considered the requested affordable housing incentives for the Danco Project and provided approval of the two incentives; and

WHEREAS, on February 12, 2019, at a duly noticed public hearing, the Fort Bragg Planning Commission considered public testimony as well as the staff report analysis for Coastal Development Permit 3-17/19 and Design Review 5-17/19, for the Plateau Project, which is incorporated herein by reference, and determined that there is sufficient evidence to support all of necessary findings for project approval.

NOW THEREFORE BE IT RESOLVED that, based on all of the evidence presented in the staff report for Coastal Development Permit 3-17/19 and Design Review 5-17/19, the City Council finds as follows:

GENERAL FINDINGS

1. The proposed project is consistent with the purpose and intent of the zoning district, as well as all other provisions of the Coastal General Plan, Coastal Land Use and Development Code (CLUDC) and the Fort Bragg Municipal Code;
2. The design, location, size, and operating characteristics of the proposed activity are compatible with the existing and future land uses in the vicinity;
3. The site is physically suitable in terms of design, location, shape, size, operating characteristics, and the provision of public and emergency vehicle (e.g., fire and medical) access and public services and utilities (e.g., fire protection, police protection, potable water, schools, solid waste collection and disposal, storm drainage, wastewater collection, treatment, and disposal, etc.), to ensure that the type, density, and intensity of use being proposed would not endanger, jeopardize, or otherwise constitute a hazard to the public interest, health, safety, convenience, or welfare, or be materially injurious to the improvements, persons, property, or uses in the vicinity and zoning district in which the property is located;

CEQA FINDINGS

1. For the purposes of environmental determination, the project is considered to be statutorily exempt from CEQA pursuant to section 15192 (Affordable Housing) of CEQA Guidelines pursuant to the California Environmental Quality Act (CEQA).
2. The project must be consistent with:
 - (1) Any applicable general plan, specific plan, or local coastal program, including any mitigation measures required by such plan or program, as that plan or program existed on the date that the application for the project pursuant to Section 65943 of the Government Code was deemed complete; and
 - (2) Any applicable zoning ordinance, as that zoning ordinance existed on the date that the application for the project pursuant to Section 65943 of the Government Code was deemed complete, unless the zoning of project property is inconsistent with the general plan because the project property has not been rezoned to conform to the general plan.
3. Community-level environmental review has been adopted or certified.
4. The project and other projects approved prior to the approval of the project can be adequately served by existing utilities, and the project applicant has paid, or has committed to pay, all applicable in-lieu or development fees.
5. The site of the project:
 - (1) Does not contain wetlands, as defined in Section 328.3 of Title 33 of the Code of Federal Regulations.
 - (2) Does not have any value as an ecological community upon which wild animals, birds, plants, fish, amphibians, and invertebrates depend for their conservation and protection.
 - (3) Does not harm any species protected by the federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.) or by the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code).
 - (4) Does not cause the destruction or removal of any species protected by a local ordinance in effect at the time the application for the project was deemed complete.

6. The site of the project is not included on any list of facilities and sites compiled pursuant to Section 65962.5 of the Government Code.
7. The site of the project is subject to a preliminary endangerment assessment prepared by a registered environmental assessor to determine the existence of any release of a hazardous substance on the site and to determine the potential for exposure of future occupants to significant health hazards from any nearby property or activity. In addition, the following steps have been taken in response to the results of this assessment:
 - (1) If a release of a hazardous substance is found to exist on the site, the release shall be removed, or any significant effects of the release shall be mitigated to a level of insignificance in compliance with state and federal requirements.
 - (2) If a potential for exposure to significant hazards from surrounding properties or activities is found to exist, the effects of the potential exposure shall be mitigated to a level of insignificance in compliance with state and federal requirements.
8. The project does not have a significant effect on historical resources pursuant to Section 21084.1 of the Public Resources Code.
9. The project site is not subject to wildland fire hazard, as determined by the Department of Forestry and Fire Protection, unless the applicable general plan or zoning ordinance contains provisions to mitigate the risk of a wildland fire hazard.
10. The project site does not have an unusually high risk of fire or explosion from materials stored or used on nearby properties.
11. The project site does not present a risk of a public health exposure at a level that would exceed the standards established by any state or federal agency.
12. Either the project site is not within a delineated earthquake fault zone or a seismic hazard zone, as determined pursuant to Section 2622 and 2696 of the Public Resources Code respectively, or the applicable general plan or zoning ordinance contains provisions to mitigate the risk of an earthquake or seismic hazard.
13. Either the project site does not present a landslide hazard, flood plain, flood way, or restriction zone, or the applicable general plan or zoning ordinance contains provisions to mitigate the risk of a landslide or flood.
14. The project site is not located on developed open space.
15. The project site is not located within the boundaries of a state conservancy.
16. The project has not been divided into smaller projects to qualify for one or more of the exemptions set forth in sections 15193 to 15195.
17. The project meets the threshold criteria set forth in section 15192.
18. The project meets the following size criteria: the project site is not more than five acres in area.
19. The project meets both of the following requirements regarding location:
 - a. The project meets one of the following location requirements relating to population density:
 - i. The project site is located within an urbanized area or within a census-defined place with a population density of at least 5,000 persons per square mile.
 - ii. If the project consists of 50 or fewer units, the project site is located within an incorporated city with a population density of at least 2,500 persons per square mile and a total population of at least 25,000 persons.
 - iii. The project is located within either an incorporated city or a census defined place with a population density of at least 1,000 persons per square mile and

there is no reasonable possibility that the project would have a significant effect on the environment or the residents of the project due to unusual circumstances or due to the related or cumulative impacts of reasonably foreseeable projects in the vicinity of the project.

- b. The project meets one of the following site-specific location requirements:
 - i. The project site has been previously developed for qualified urban uses; or
 - ii. The parcels immediately adjacent to the project site are developed with qualified urban uses.
 - iii. The project site has not been developed for urban uses and all of the following conditions are met:
 - 1. No parcel within the site has been created within 10 years prior to the proposed development of the site.
 - 2. At least 75 percent of the perimeter of the site adjoins parcels that are developed with qualified urban uses.
 - 3. The existing remaining 25 percent of the perimeter of the site adjoins parcels that have previously been developed for qualified urban uses.
20. The project meets both of the following requirements regarding provision of affordable housing.
- a. The project consists of the construction, conversion, or use of residential housing consisting of 100 or fewer units that are affordable to low-income households.
 - b. The developer of the project provides sufficient legal commitments to the appropriate local agency to ensure the continued availability and use of the housing units for lower income households for a period of at least 30 years, at monthly housing costs deemed to be "affordable rent" for lower income, very low income, and extremely low income households, as determined pursuant to Section 50053 of the Health and Safety Code.
21. The project will not have a Cumulative Impact or Significant Effect. The project is not located on a scenic highway.
22. The project is not located on a site which is included on any list compiled pursuant to Section 65962.5 of the Government Code.
23. The project site does not include any Historical Resources.

AFFORDABLE HOUSING INCENTIVE FINDINGS

- 1. The residential development project will be consistent with the General Plan and the certified LCP.
- 2. The approved number of dwelling units can be accommodated by existing and planned infrastructure capacities.
- 3. Adequate evidence exists to indicate that the proposed residential project will provide affordable housing in a manner consistent with all standards set forth in Government Code Section 65915;
- 4. There are sufficient provisions to guarantee that the affordable dwelling units will remain affordable for the required time period.
- 5. The approved incentives do not have an adverse effect on coastal resources.

COASTAL DEVELOPMENT PERMIT FINDINGS

1. The proposed development as described in the application and accompanying materials, as modified by any conditions of approval, is in conformity with the City of Fort Bragg's certified Local Coastal Program and will not adversely affect coastal resources;
2. The project is in conformity with the public access and recreation policies of Chapter 3 of the Coastal Act of 1976 (commencing with Sections 30200 of the Public Resources Code);
3. Feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the development on the environment;
4. The proposed use is consistent with the purposes of the zone in which the site is located;
5. The proposed development is in conformance with the City of Fort Bragg's Coastal General Plan;
6. The proposed location of the use and conditions under which it may be operated or maintained will not be detrimental to the public health, safety, or welfare, or materially injurious to properties or improvements in the vicinity;
7. Services, including but not limited to, water supply, sewage disposal, solid waste, and public roadway capacity have been considered and are adequate to serve the proposed development;
8. The project, as proposed, will neither be subject to nor increase instability of the site or structural integrity from geologic, flood, or fire hazards due to project design, location on the site, or other reasons;
9. The project, as conditioned, will not have significant adverse impacts on site stability or structural integrity from geologic, flood, or fire hazards due to required project modifications, landscaping, or other conditions;
10. There are no alternatives to development that would avoid or substantially lessen impacts on site stability or structural integrity;
11. The resource as identified will not be significantly degraded by the proposed development;
12. There is no feasible less environmentally damaging alternative; and
13. All feasible mitigation measures capable of reducing or eliminating project related impacts have been adopted.

DESIGN REVIEW FINDINGS

1. The project complies with the purpose and requirements of CLUDC Section 17.71.050 Design Review;
2. The project provides architectural design, building massing, and scale appropriate to and compatible with the site surroundings and the community;
3. The project provides attractive and desirable site layout and design, including building arrangement, exterior appearance and setbacks, drainage, fences and walls, grading, landscaping, lighting, signs, etc.;
4. The project provides efficient and safe public access, circulation, and parking;
5. The project provides appropriate open space and landscaping, including the use of water efficient landscaping;
6. The project is consistent with the Coastal General Plan, any applicable specific plan, and the certified Local Coastal Program; and
7. The project complies and is consistent with the City's Design Guidelines.

BE IT FURTHER RESOLVED that the Planning Commission has determined that the Project is categorically exempt from environmental review pursuant to the California

Environmental Quality Act ("CEQA") and Title 14, the California Code of Regulations ("CEQA Guidelines"), Section 15192 and Section 15194 – Affordable Housing Exemption.

BE IT FURTHER RESOLVED that the Planning Commission hereby grants the following two affordable housing incentives for the Danco Project: 1) a front yard setback reduction from the required 25 feet to 10 feet; and 2) a parking reduction from the required 170 spaces to 70 spaces in conformance with the CLUDC parking requirements and state law.

BE IT FURTHER RESOLVED that the City Council hereby approves the Coastal Development Permit 3-17/19, Design Review 5-17/19 for the Danco Project, subject to the following Special Conditions and Standard Conditions:

SPECIAL CONDITIONS

1. The Danco Plateau Project, at 441 South Street, shall accept HUD Section 8 rental assistance and Housing Voucher holders for all below-market-rate units provided in the development.
2. Prior to issuance of the Certificate of Occupancy, the developer shall either: 1) present the City with a copy of a fully executed Affordable Housing Regulatory Agreement with the California Tax Credit Allocation Committee; or 2) develop, execute and record an Affordable Housing Regulatory Agreement that is approved by the City Attorney and that complies with Section 17.32.080 B of the CLUDC.
3. Prior to issuance of building permit, the applicant shall resubmit the site plan illustrating one EV Changing Stations in the Senor Housing parking lot an one EV charging station in the Workforce Housing parking lot, for approval by the Community Development Director.
4. Prior to issuance of building permit, the applicant shall resubmit the site plan illustrating bicycle parking for the Senor and Workforce Housing parking for Community Development Director approval.
5. Prior to issuance of building permit, the applicant shall submit a revised site plan illustrating one motorcycle parking space for approval by the Community Development Director.
6. Prior to issuance of building permit, the applicant shall submit a revised site plan illustrating: a 20 foot drive isle from the street that is not intersected by parking spaces to allow for vehicular queuing and stacking for the PSH parking lot. Additionally this strip shall be landscaped with attractive plants that screen the parking lot from public view.
7. Prior to issuance of building permit, the applicant shall submit a landscaping plan for the parking lots for review by the Community Development Director. The parking landscaping plan shall comply with Section 17.34 of the CLUDC.
8. The applicant shall remove all cyclone fencing, located on the subject property, prior to approval of the Certificate of Occupancy for the project.
9. Prior to issuance of building permit, the applicant shall submit a detailed fencing plan for review by the Community Development Director. All fencing shall comply with Section 18.30.050 of the CLUDC.
10. Prior to issuance of the Building Permit, the applicant shall submit a detailed landscaping and lighting plan for review by the Community Development Director that includes local native plants only, preferably grown from local genetic sources. The landscaping plan shall comply with the sections 17.34.059C5b2 and 17.34.060 of the CLUDC. The Lighting Plan shall comply with 17.30.070. The submitted landscaping and lighting plans shall be approved by the Community Development Director prior to issuance of the building permit.

11. Prior to issuance of the Building Permit, the applicant shall submit a sign plan for review and approval by the Community Development Director.
12. The applicant shall provide: 1) a site plan that illustrates a dumpster/recycling area for each parking lot of each facility and 2) elevations and floor plan for the solid waste recycling storage building, to the Community Development Director for approval prior to issuance of the Building Permit. The storage structure shall have the same quality and level of finish as the other buildings on the site.
13. Prior to issuance of the Building Permit the applicant shall submit a detailed site plan for approval by the Director of Community Development, which illustrates that windows on each unit are oriented to ensure privacy within each unit from adjacent unit windows.
14. Prior to issuance of the Building Permit the applicant shall submit detailed floor plans and elevations for all accessory structures including the Commons Buildings, the Common Storage Building and Trash and Recycling Buildings for approval by the Director of Community Development. The accessory buildings shall be designed and constructed with an architectural style, exterior colors and materials similar to the structures in the project containing dwelling units.
- 15.A. Prior to issuance of the building permit, the applicant shall complete the following studies, and submit them to the Community Development Director for review. If the studies identify rare plants or wetlands which would be impacted by the project, the applicant shall be required to apply for a CDP amendment to revise the site plan as necessary:
 - A Seasonally-appropriate (April to June) botanical surveys shall be conducted on parcel 018-340-004 for the special status plant species included in Table A-1 of the survey.
 - Vegetation community mapping red fescue shall occur on parcel 018-340-004. The areas of parcel 018-340-004 to determine if it meets the vegetation community criteria for red fescue grassland.
 - Spring and summer surveys should be conducted on parcel 018-340-004 for the special status animal species included in Table A-2. Viola adunca surveys should be conducted during the botanical surveys, to ascertain habitat viability for the Behren's silverspot butterfly (*Speyeria zerene behrensii*) between April 21 and June 14.
- 15.B Prior to issuance of the Building Permit the applicant shall resubmit the site plan, including relocation of the playing yard, half basket ball court and the eastern most units of the multifamily housing to avoid the EHSA and the 30 foot ESHA buffer as roughly illustrated in the diagram below. Additionally during construction, construction fencing shall be placed on the 30 foot ESHA buffer (to be shown on all plans) to protect the ESHA from any construction damage during construction.
- 15.C Prior to issuance of the Certificate of Occupancy, a permanent redwood fence shall be installed along the 30 foot buffer (illustrated in orange) to protect the ESHA (illustrated in light green with a red border) from encroachment. No live tree removal is permitted within the ESHA area (as illustrated in the plan below).
16. Special Condition 16: Prior to final of the building permit, the developer shall:
 - a. Create a solution to the satisfaction of the Public Works Director that water pressures can be achieved (via pressure pump, tank, etc.) for enhancing the water system to meet City standards. Documentation to this effect shall be submitted to the Public Works Department, prior to issuance of the building permit.

- b. The applicant shall ensure adequate pressure and flow to the subject site to provide necessary domestic and fire suppression flows.
 - c. The applicant shall extend the 8" water main on South Street along the length of South Street in front of the project site. New water laterals shall connect the development to the constructed water main.
 - d. The Public Works Department may further require that an 8" water main connection be installed between the main on Kempe Way and the Main on South Street along the drive isles that transects the property, to ensure adequate system pressures can be maintained.
 - e. All water main improvements shall be dedicated to the City of Fort Bragg. If a main is constructed across the parcel to create a loop, a Public Utility (or similar) Easement of at least ten feet in width shall be recorded.
 - f. A backflow device (per City standards) shall be installed for both domestic and fire suppression lines.
 - g. The utility hookup configurations will be approved by the Director of Public Works or designated staff. Alternate main location options may be considered.
17. Prior to issuance of a grading permit or building permit, the developer shall:
- a. Submit plans for the installation of a sewer main in South Street (to City Standards) from the manhole in intersection of South Street and River Drive to the proposed development to the satisfaction of the Public Works Director.
 - b. The new sewer main shall be adequately sized to achieve standards established by the FBMC and reasonably designed to convey waste water for future development of the parcel. FBMC section 14.28.040 states The minimum size of a sewer lateral shall be 4-inch diameter. The minimum slope of a sewer lateral shall be 2 feet per 100 feet (2% slope). Exceptions will be reviewed and approved at the discretion of the District Manager.
 - c. New waste water laterals shall connect the development to the constructed sewer main, per the satisfaction of the Director of Public Works.
 - d. The exact location of the waste water line in the City right of way will be determined by the City Engineer at the time of review of the encroachment permit application.
 - e. A new waste water lateral shall connect the development to the constructed sewer main.
 - f. All new constructed gravity fed waste water mains shall be dedicated to the City. However waste water force mains will remain in the ownership of property owner and all maintenance of associated lift stations and force main will remain the owner's responsibility.
 - g. Utility hookup configuration will be worked out with the Public Works Director or designated staff. Alternate main location options may be considered.
18. Prior to issuance of a grading permit or building permit, the developer shall pay all Water and Sewer Capacity Fees and Storm Drain Fees.
19. The developer shall submit to the City Engineer, for review and approval, improvement drawings for required public improvements. The plans shall be drawn by, and bear the seal of, a licensed Civil Engineer. Street Section Standards for Minor and Collector streets is City Standard No. 204.

20. Prior to issuance of a Certificate of Occupancy for the project the following public improvement will be completed by the applicant per the direction of the Director of Public Works and according to City standards:

- a. South Street shall be improved as follows, prior to the final of the building permit: south street shall be improved along the length of the parcel frontage including a 50' fully paved ROW and a paved parking lane. Upon improvement to this section, and prior to final of the building permit, the paved portion of the street shall be dedicated to the City.
- b. Installation of sidewalk, curb, corner ramps, gutter and conform paving along the project frontage on the south side of Kempe Way.
- c. Installation of sidewalk, curb, corner ramps, gutter and conform paving along the project frontage on the North side of South Street. A gravel shoulder will be accepted on the south side.

All frontage and utility improvements (ADA compliant driveway aprons, corner ramps, sidewalk, curb, gutter, conform paving, etc.) shall be implemented according to current City Standards.

21. Fire Marshall Requirements

- a. Prior to issuance of the building permit the applicant shall complete a water modeling analysis that illustrates a minimum flow rate of 1,500 gallons per minute for all hydrants on the project site.
- b. Prior to issuance of the building permit that applicant shall submit plans and specifications for two panic hardware/gates that shall be added to the fence surrounding the PSH project
- c. Prior to final of the building permit a flow alarm shall be installed on the project sprinkler system.
- d. Prior to issuance of a building permit, the applicant shall submit a revised site plan that clearly illustrates: 1) the installation of a water main connecting Kemppe Way with South Street; 2) the installation of two fire hydrants as illustrated in red stars below; and 3) emergency vehicle access from Kempee way through to South street. Other fire suppression requirements (including infrastructure) may be required by the Fire District. All fire hydrants, valves, service lines, etc. comprising this new infrastructure shall be included on site plans for review and approval by the Fire Marshall and the Public Works Department.

22. The property shall have an on-site residential property manager in order to minimize false alarms to the fire department. In the event that false fire alarms exceed three in any year, the Fort Bragg Fire Department will charge the property owner for all costs related to excess false fire alarms.

23. Prior to issuance of the Building Permit the applicant shall provide a stormwater analysis and plan Per code section 17.64.045 that proves that:

- a. Storm water runoff has been minimized by incorporation of Low Impact Development (LID) strategies that minimize impermeable areas, maximize permeable areas, and that slow, spread, and sink runoff so as to recharge groundwater and minimize runoff. Runoff that is expected shall be collected at vegetative swales or bioretention facilities and overflow finally conveyed by a storm drain system approved by the City Engineer.

- b. Treatment Control BMPs have been sized and designed to retain and infiltrate runoff produced by all storms up to and including the 85th percentile (.83" in 24-hours) based on the size of the development.
 - c. An Operations and Maintenance Plan has been developed for all regulated project components by the State NPDES Phase II MS4
 - d. All drainage channels, conduits, culverts, and appurtenant facilities shall have sufficient capacity to convey a 100-year flood. The existing drainage infrastructure is a 24" diameter which conveys storm water from River Gardens at the south west corner of the subject lot in a northerly direction (red lines on the attached CAD map). Applicant shall provide analysis documenting sufficiency of existing infrastructure or provide engineer reviewed design of proposed upgrades to drainage conveyance system. If upgrades to infrastructure are required, this shall be completed by the developer.
24. All public improvements to drainage conveyance systems shall be dedicated to the City.
 25. Prior to issuance of the Building Permit the applicant shall provide an analysis that documents the sufficiency of existing stormwater infrastructure or provide an engineer reviewed design of a new proposed drainage conveyance system. If upgrades to infrastructure are required, this shall be completed by the developer and dedicated to the City.
 26. Prior to issuance of the Building Permit the applicant shall submit a Water Quality Management Plan and/or a Storm Water Pollution Prevention Plan (SWPPP) that for review and approval by the City Engineer. And such plan shall be in compliance with all stormwater management requirements of the CLUDC Section 17.64 and Municipal Code Section 12.14. . A Runoff Mitigation plan (RMP) is required by the City to demonstrate the project meets the requirements is established by local, state and federal regulations. The RMP requirement can be fulfilled by a SWPPP as long as it complies with the above mentioned regulations. If using a SWPPP to fulfill the RMP, a draft version should be submitted to the City to ensure the project is in compliance prior to filing for a Notice of Intent (NOI).
 27. Prior to issuance of the building permit the applicant shall submit a site plan for approval by the Community Development Director which orients both PSH houses along Kemppe avenue to the street. While direct access to the street is not feasible due to the security fencing, the units shall be reoriented so that the front porch faces the street.
 28. The play area shall include seating or benches for parents to use while watching their children play.
 29. Prior to issuance of the Building Permit, the applicant shall resubmit a project painting plan with muted earth tones, for review and approval by the Community Development Director.
 30. Prior to issuance of a Building Permit, the applicant shall submit for the review and approval of the Community Development Director plans for the locations and visual screening of all mechanical equipment proposed to be constructed as part of the project, including but not limited to: standpipes, backflow preventers, generators and propane fuel tanks.
 31. Prior to issuance of the Building Permit, the applicant shall resubmit the site plan to include property line fencing along the west and east property lines of the Senior Housing project. The applicant shall also submit elevations of the fencing design for approval by the Community Development Director.
 32. Prior to issuance of the Building Permit, the applicant shall resubmit the site plan eliminating the walking trail along the east side of the project site.

33. Prior to issuance of the Building Permit, the applicant shall resubmit a site plan, for review and approval by the Community Development Director, that re orients those multi-family units along Kemppe Way where the steep slope prohibits direct building access from the sidewalk on Kemppe Way. Where necessary for access, the buildings will be reoriented so that the front doors face south to the parking area.
34. As part of the Building Permit, the applicant shall design and engineer the covered parking so that it can structurally support solar panels in the future.

STANDARD CONDITIONS

1. The use and occupancy of the premises shall be established and maintained in conformance with the requirements of this permit and all applicable provisions of the CLUDC.
2. The application, along with supplemental exhibits and related material, shall be considered elements of this permit, and compliance therewith is mandatory, unless an amendment has been approved by the City. Any condition directly addressing an element incorporated into the application exhibits shall be controlling and shall modify the application. All other plans, specifications, details, and information contained within application shall be specifically applicable to the project and shall be construed as if directly stated within the condition for approval. Unless expressly stated otherwise, the applicant is solely responsible for satisfying each condition prior to issuance of the building permit.
3. Notice to Applicant of Fees & Exaction Appeal Period:
 - a. The conditions of project approval set forth herein include certain fees, dedication requirements, reservation requirements, and other exactions. Pursuant to Government Code §66020(d), these conditions constitute written notice of the amount of such fees, and a description of the dedications, reservations, and other exactions.
 - b. The applicant is hereby notified that the 90-day protest period, commencing from the date of approval of the project, has begun. If the applicant fails to file a protest regarding any of the fees, dedication requirements, reservation requirements or other exaction contained in this notice, complying with all the requirements of Government Code §66020, the applicant will be legally barred from later challenging such exactions.
4. The use and occupancy of the premises shall be established and maintained in conformance with the requirements of this permit and all applicable provisions of the CLUDC.
5. This permit shall be subject to the securing of all necessary permits for the proposed development from City, County, State, and Federal agencies having jurisdiction. All plans submitted with the required permit applications shall be consistent with this approval. All construction shall be consistent with all Building, Fire, and Health code considerations as well as other applicable agency codes.
6. The applicant shall secure all required building permits for the proposed project as required by the Mendocino County Building Department.
7. All utilities, including but not limited to water, sewer, telephone, gas, electricity, and conduit for cable television shall be provided to the project in compliance with all-applicable standards and requirements of the applicable provider.
8. All rights-of-way associated with the project improvements shall be offered by separate instrument, as an irrevocable offer of dedication in a form approved by the City Attorney, prior to issuance of the first building permit.

9. **Improvements in the Public Right-of-Way:** The applicant shall obtain an encroachment permit for all improvements within the public right-of-way. Applicant shall post a performance bond and labor and materials payment bond (or other equivalent financial security) in the amount of 100% of the cost of the improvements to be constructed in the public right-of-way, and those improvements to be dedicated to the City, as public improvements as improvement security to ensure the faithful performance of all duties and obligations required of applicant in the construction of the improvements. Such improvement security shall be in a form acceptable to the City Attorney. Such security shall be either a corporate surety bond, a letter of credit, or other instrument of credit issued by a banking institution subject to regulation by the State or Federal government and pledging that the funds necessary to carry out this Agreement are on deposit and guaranteed for payment, or a cash deposit made either directly with the City or deposited with a recognized escrow agent for the benefit of the City.
10. If any person excavating or otherwise disturbing the earth discovers any archaeological site during project construction, the following actions shall be taken: 1) cease and desist from all further excavation and disturbances within 25 feet of the discovery; 2) notify the Fort Bragg Community Development Department within 24 hours of the discovery; and 3) retain a professional archaeologist to determine appropriate action in consultation with stakeholders such as Native American groups that have ties to the area. [8.g.13]
11. This permit shall be subject to revocation or modification upon a finding of any one or more of the following:
 - (1) That such permit was obtained or extended by fraud.
 - (2) That one or more of the conditions upon which such permit was granted have been violated.
 - (3) That the use for which the permit was granted is so conducted as to be detrimental to the public health, welfare, or safety or as to be a nuisance.
 - (4) A final judgment of a court of competent jurisdiction has declared one or more conditions to be void or ineffective, or has enjoined or otherwise prohibited the enforcement or operation of one or more conditions.
12. Unless a condition of approval or other provision of the Coastal Land Use and Development Code establishes a different time limit, this approval shall expire in two years from the date of approval unless prior to that date a building permit has been issued or a time extension has been granted, except where an extension of time is approved in compliance with CLUDC Subsection 17.76.070 (B).

The above and foregoing Resolution was introduced by Planning Commissioner Roberts, seconded by Planning Commissioner Logan, and passed and adopted at a regular meeting of the Planning Commission of the City of Fort Bragg held on the 12th day of February 2019, by the following vote:

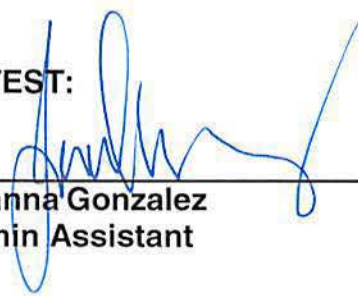
**AYES: Commissioner Andreis, Commissioner Logan, Commissioner Roberts, and
Chair
Rogers**

NOES: None.

ABSENT: Vice Chair Miklose
ABSTAIN: None.
RECUSED: None.



Nancy Rogers
Planning Commission Chair

ATTEST:


Joanna Gonzalez
Admin Assistant



AGENCY: Planning Commission
MEETING DATE: February 12, 2019
DEPARTMENT: Community Dev.
PRESENTED BY: M. Jones
EMAIL ADDRESS: mjones@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:
RECEIVE REPORT AND CONSIDER APPROVAL OF COASTAL DEVELOPMENT PERMIT AMENDMENT 3-17/19, DESIGN REVIEW AMENDMENT DR 5-17/19 AND APPROVAL OF TWO AFFORDABLE HOUSING INCENTIVES FOR A PROPOSED MIXED-INCOME SENIOR, MULTI-FAMILY AND PERMANENT SUPPORTIVE HOUSING PROJECT LOCATED AT 441 SOUTH STREET (APN 018-340-04)

APPLICATION NO.: Coastal Development Permit Amendment 3-17/19 (CDP 3-17/19) and Design Review 5-17/19 (DR 5-17/19)

APPLICANT: Danco Communities

PROPERTY OWNER: Richard Nelepovitz

AGENT: Chris Dart, Danco Group

REQUEST: Coastal Development Permit Amendment and Design Review Amendment for a 68 unit affordable housing project consisting of:

- A) Twenty permanent supportive residential cottages ranging from 616 to 830 square feet, a 3,000 square foot commons building, walkways and a full size basketball court and a manager's unit; and
- B) Twenty-five single-story affordable senior residential cottages ranging from 616 to 848 square feet, a 1,200 square foot commons building, two 440 square foot Common utility buildings, a manager's unit, walkways and 29 parking spaces and Associated driveway; and
- C) Twenty-three two-story, workforce/family residential duplex units, ranging from 1,000 to 1,200 square feet (2 and 3 bedrooms), landscaping, playground and 36 covered Parking spaces and with associated driveways per the CLUDC and the Coastal General Plan.

LOCATION: 441 South Street

APN: APN 018-340-04 (5 acre site of a 7 acre parcel)

ZONING: Very High density Residential (RVH)/ Coastal Zone

ENVIRONMENTAL DETERMINATION: Statutorily exempt from CEQA pursuant to section 15192 (Affordable Housing) of the 2018 CEQA Guidelines.

SURROUNDING LAND USES: NORTH: Hospital, Multi-Family Housing
EAST: Single Family Residential & Noyo River
SOUTH: Single Family Residential
WEST: Multi-Family Housing

APPEALABLE PROJECT: Cannot be appealed to California Coastal Commission.

PROJECT BACKGROUND

Danco has developed numerous affordable and market rate projects, senior and multifamily residential projects. Their website showcases several affordable housing projects for seniors and families www.danco-group.com/communities.

On September 11, the City Council conceptually approved Danco's request for a loan of \$250,000 at 3% interest for a 55 year term for a 44 unit senior housing development at 441 South Street. The City loan will specifically limit the PSH occupancy to the following: homeless seniors, veterans and families.

On January 7, 2018 the City Council approved Design Review 3-17 and Coastal Development Permit 3-17 to allow construction of: 1) Thirty single-story affordable senior residential cottages ranging from 616 to 830 square feet (8 two-bedroom units and 22 one-bedroom units), a 1,200 square foot commons building, a 440 square foot common utility building, walkways and a 30-space parking area and associated driveway; and 2) Seven market-rate two-story, residential duplex units with 14 units ranging from 1,000 to 1,200 square feet each (2 and 3 Bedrooms), landscaping and a 28-space parking area and associated driveway.

Danco submitted a tax credit application for this project in the spring of 2018, but the application was denied because the project did not have sufficient sources of non-tax credit financing. The City had tried to work with the Community Development Block Grant program (CDBG) to use CDBG funds for off-site improvements, but CDBG would not consider a tax credit funded project "shovel ready" because the tax credit funding had not been committed and the Tax Credit bonding agency also required CDBG funds to committed prior to approving their funding, making a true Catch-22 situation.

On August 13, 2018 the City Council expressed preliminary support for a new configuration for the Danco Affordable Housing community on South Street to include: 14 units of Market Rate (Workforce)

Housing; 15 units of Permanent Supportive Housing (PSH) for homeless seniors and homeless disabled people; and 15 units of Affordable Senior Housing.

On November 11, 2018, the City Council directed staff to submit a grant application for \$3,000,000 to the Continuum of Care for HEAP funding for the Permanent Supportive Housing component of this project. Furthermore, City Council expressed preliminary support for a revised configuration for the Danco Affordable Housing community on South Street to include 23 units of Workforce Housing, 20 units of Permanent Supportive Housing, and 25 units of Affordable Senior Housing. The HEAP funding application specifically limits the PSH occupancy to the following: homeless seniors, veterans and families. On December 17, 2018, the Continuum of Care awarded the \$3 million in HEAP funding for the construction of 20 Permanent Supportive Housing units at 441 South Street.

PROJECT DESCRIPTION

Danco Communities (“Danco”), a vertically-integrated developer, contractor and manager of affordable workforce and senior housing in northern California and the western United States, proposes to construct a mixed-income project consisting of the following three primary components:

- A. 20 permanent supportive residential cottages ranging from 616 to 830 square feet, a 3,000 square foot common building, walkways, fencing, and a full size basketball court and a manager’s unit; and
- B. 25 single-story affordable senior residential cottages ranging from 616 to 848 SF., a 1,200 SF commons building, two common utility buildings (440 and 276 SF), a manager's unit, walkways and 29 parking spaces and associated driveway; and
- C. 23 two-story, workforce/family residential duplex units, ranging from 1,000 to 1,200 square feet (2 and 3 bedrooms), landscaping, playground and a half-court basketball court.

More detail about each of these project components is included below. Also, please see Attachments 1 through 4 for detailed site plans, elevations and floor plans.

Permanent Supportive Housing (PSH)

Permanent Supportive Housing (PSH) is a model that combines low-barrier affordable housing, health care, and supportive services to help individuals and families lead more stable lives. PSH typically targets people who are homeless or otherwise unstably housed, experience multiple barriers to housing, and are unable to maintain housing stability without supportive services. This model has been shown to impact housing status, and result in cost savings to various public service systems, including health care and police services.

The PSH approach integrates permanent, affordable rental housing with onsite delivery of supportive services to help people who are homeless and/or have serious and long-term disabilities access and maintain stable housing in the community. Key components of PSH that facilitate successful housing tenure include:

- Individually tailored and flexible supportive services that are voluntary, can be accessed 24 hours a day/7 days a week, and are not a condition of ongoing tenancy;
- Leases that are held by the tenants without limits on length of stay; and
- Ongoing collaboration between service providers, property managers, and tenants to preserve tenancy and resolve any crisis that may arise.

Studies such as the US Department of Housing and Urban Development's (HUD) The Applicability of Housing First Models to Homeless Persons with Serious Mental Illness¹ have shown that Housing First permanent supportive housing models result in long-term housing stability, improved physical and behavioral health outcomes, and reduced use of crisis services such as emergency departments, hospitals, police and jails.

PSH Unit Mix: residential units designed as independent cottages including eighteen 1-Bedrm Units (Min. 616 S.F.) and two 2-Bedrm Units (Min. 830 S.F.) for families. The 20 Units will form a pocket neighborhood of similar low scale and vernacular context. All units have outdoor private yards for gardening (min. 250 sf) and a private covered patio (min. 88 sf), facing common outdoor open spaces. There will also be one Manager's Unit (Min. 848).

PSH Total Building Area: Approx. 17,106 SF

PSH Parking: 5 Parking Spaces (1 Accessible Space) for Visitors and Staff Only; 3 Bicycle Parking Spaces

PSH Amenities:

- Main Commons, Community Building @ 3,000 S.F. contains support facilities, such as a residential style common kitchen, near a gathering space, manager's office, security office, laundry facility, support staff offices, and mailroom.
- Full Size Basketball Court
- Common Outdoor Open Space / Gathering Areas
- Private Patios (Min. 88 SF) & Gardens (Min. 115 S.F) for each unit
- The site will be fenced and access will be controlled.

AFFORDABLE SENIOR HOUSING

The affordable senior housing component of this project will be very similar to the senior units in Fort Bragg, at the Cottages on Cypress Street project.

UNIT MIX: The affordable / low-income senior housing project would include 25 units of affordable senior residential units designed as independent cottages with three common structures, common outdoor spaces, private outdoor spaces. The 25 affordable senior residences are made up of 19 one-bedroom (616 sf) and 6 two-bedrooms units (848 SF). The buildings are designed in cottage styles creating a pocket neighborhood of similar low scale and vernacular context. All will have outdoor private yards for gardening (min. 250 sf) and a private covered patio (min. 88 sf),

Total building area: approx. 19,642 sf total

Parking: 29 parking spaces (4 accessible spaces) and 8 bicycle parking spaces. The 29 parking spaces are located along the perimeter of the property, away from the views of the units and it is screened from common open spaces. A total of 8 bicycle parking spaces will be dispersed at the parking lots and walkways along with one motor cycle space. The driveway and parking areas may be permeable where allowed by local and cal-fire codes.

Amenities:

- Main common community building @ 1,200 sf
- Two common utility buildings (440 & 276 sf) for common laundry facility, additional storage, common utilities, and other similar uses
- Common outdoor open space / gathering areas

¹ <https://www.huduser.gov/portal/publications/hsgfirst.pdf>

- Private patios & gardens
- Accessible walkways will be constructed for public access from the side walks.

Affordable Workforce Housing

The Affordable Workforce housing is proposed as a series of duplexes along the southern side of Kemppe Way. The duplexes would face the street with the parking located behind. A play area and half court basketball court are proposed for the western side of the parcel, overlooking the Noyo River.

Unit mix: 11 duplex (23 units) two story 3-bedrm units @ 1,230 sf each

Total building area: Approx. 28,290 sf total

Open Space: 152 Sf for each unit (private porch/patio)

Parking: 36 covered spaces

PERMIT ANALYSIS

CONSISTENCY WITH COASTAL GENERAL PLAN POLICIES

As conditioned, the project is consistent with all Coastal General Plan policies. The project is supported by, and helps implement many infill and affordable housing policies of the Coastal General Plan as described below. Policies and goals are noted in *Italics* and project compliance with policies is noted in regular text.

Goal H-2 Provide a range of housing, including single-family homes, townhouses, apartments, and other housing types to meet the housing needs of all economic segments of the community.

Policy H-2.7 Infill Housing: Encourage housing development on existing infill sites in order to efficiently utilize existing infrastructure.

The project includes a range of housing types to serve homeless, seniors and families and the site is an infill site.

Policy H-3.2 Encourage Senior Housing: Allow senior housing projects to be developed with density bonuses and flexible parking standards were found to be consistent with maintaining the character of the surrounding neighborhood consistent with the requirements of Policy H-3.5.

The project includes 25 units of senior housing and the applicant is requesting two planning incentives (a reduction in the parking requirement and the front setback). State density bonus law requires the City to grant up to three planning incentives for this project based on the level of affordability (as described later in this report).

Program H-3.2.2 Affordable Senior Housing: Establish and maintain an inventory which identifies properties which are potentially well-suited for senior housing funded by HUD 202 financing or similar program. Work with developers to facilitate obtaining funding and construction of senior housing.

This parcel was identified in the 2008 Housing Element as an appropriate parcel for senior and affordable housing development. Staff worked with the applicant to find the site and developed a grant application of \$3 million to help fund construction.

Goal H-3 Expand affordable housing opportunities for persons with special housing needs such as the elderly, the disabled, households with very- low to moderate incomes, and first time home buyers.

The project includes affordable housing opportunities for a wide variety of people with special needs including the elderly, disables and persons with low and very low incomes.

Policy H-3.1 Available Funding Sources: Utilize County, State and Federal programs and other funding sources that provide housing opportunities for lower-income households.

Program H-3.1.1 Available Funding: Seek available State and Federal assistance to develop affordable housing for seniors, the disabled, lower-income large households, and households with special housing needs. Consider joint applications with the County Community Development Commission for HCD programs such as the California Self Help Housing Program (CSHHP), the Multi-family Housing Program (MHP), and/or the HOME Program.

Program H-3.1.2 Tax-Exempt Financing: Require developers utilizing tax-exempt financing to include language in agreements with the City permitting persons and households eligible for HUD Section 8 rental assistance or Housing Voucher Holders to apply for below-market-rate units provided in the development.

The project will utilize \$3 million of HEAP funding, which was secured by CDD staff for the project. The project will also seek Tax Credit Financing, and as conditioned below by Special Condition 1, this project will require Section 8 eligibility.

Special Condition 1: The Danco Plateau Project, at 441 South Street, shall accept HUD Section 8 rental assistance and Housing Voucher holders for all below-market-rate units provided in the development.

Policy H-3.4 Increase Affordable Housing Development: Encourage the construction of housing units which are affordable to households with very-low to moderate incomes consistent with Chapters 17.31 and 17.32 of the Coastal Land Use and Development Code.

The project will be 100% affordable to households with very low, low and moderate-income incomes.

Policy H-3.7 Large Families: Encourage housing for large families.

The project includes twenty-three 3-bedroom units designed for larger families.

Policy H-3.9 Housing for the Disabled: Continue to facilitate barrier-free housing in new development.

The project includes Senior and Permanently Supportive Housing, both of which directly serve disabled individuals. Additionally, per the CLUDC at least two of the workforce housing units will be designed with universal accessibility per State law.

Policy H-3.10 Emergency and Transitional Housing:

Program H-3.10.2 Inter-Agency Cooperation: Work with private, county, and State agencies to provide emergency housing for the homeless.

The City has partnered with the Continuum of Care of Mendocino County to partially fund this 68 unit affordable housing project (+one manager's unit). Additionally the PSH units will include coordinated services from a wealth of local non-profit service providers.

Goal H-4 Promote housing opportunities for all persons regardless of race, gender, age, sexual orientation, marital status, or national origin.

Policy H-4.1 Equal Housing Opportunity: Continue to facilitate non-discrimination in housing in Fort Bragg.

This project, with state and federal funding, will provide housing units without discrimination based on race, gender, age (except for Senior Housing), sexual orientation, marital status, or national origin.

INCLUSIONARY HOUSING INCENTIVE ANALYSIS

State housing law (Government Code Section 65915) requires jurisdictions to approve from one to three "planning incentives" (i.e., reductions in requirements of the zoning code) for affordable housing projects. The number of incentives, which must be granted, depends on: 1) the proposed income qualification for the units; and 2) the percent of affordable units in the project. State law (Government Code Section 65915[b]) allows the applicant of this project to request and receive up to three incentives as the project includes more than the minimum 30% of the total units affordable to low income households for three incentives. Ninety-eight percent of the units will be affordable to low income homeless, senior or family households.

The CLUDC regulates the type of incentives that can be approved by the City for affordable housing projects. As shown below, CLUDC 17.31.040 (D)(1)(a) provides the authority to reduce setback requirements and CLUDC 17.31.040 (D)(1)(c) sets the maximum parking for affordable projects.

CLUDC 17.31.040 (D) other incentives.

1. **Available concessions or incentives.** A qualifying project shall be entitled to at least one of the following concessions or incentives identified by State law (Government Code Section 65915[b]), in addition to the density bonus allowed by State Law and Subsection B, above:
 - a. A reduction in the site development standards of this Development Code [e.g. site coverage, landscaping, height restriction waivers, reduced parcel dimensions (i.e., minimum length and width, including lot area), and/or setback requirements];
 - b. Approval of mixed use zoning not otherwise allowed by this Development Code in conjunction with the housing development, if nonresidential land uses will reduce the cost of the housing development, and the nonresidential land uses are compatible with the housing development and the existing or planned development in the area where the project will be located;
 - c. A reduction in the vehicular parking standards, inclusive of handicapped and guest parking, not to exceed the following ratios:
 - i. Zero to one bedrooms: one on-site parking space.
 - ii. Two to three bedrooms: two on-site parking spaces.
 - iii. Four and more bedrooms: two and one-half parking spaces.

However, this local regulation (adopted in 2008) is contradicted by State Law, which takes precedence where there is a conflict. See the relevant text from the State Density Bonus law below:

65915. (a) (1) *When an applicant seeks a density bonus for a housing development within, or for the donation of land for housing within, the jurisdiction of a city, county, or city and county, **that local government shall comply with this section.** A city, county, or city and county shall adopt an ordinance that specifies how compliance with this section will be implemented. **Failure to adopt an ordinance shall not relieve a city, county, or city and county from complying with this section.***

(2) *A local government **shall not condition the submission, review, or approval** of an application pursuant to this chapter on the preparation of an additional report or study **that is not otherwise required by state law, including this section.***

(d) (1) *An applicant for a density bonus pursuant to subdivision (b) may submit to a city, county, or city and county a proposal for the specific incentives or concessions that the applicant requests pursuant to this section, and may request a meeting with the city, county, or city and county. **The city, county, or city and county shall grant the concession or incentive requested by the applicant unless the city, county, or city and county makes a written finding, based upon substantial evidence, of any of the following:***

(A) *The concession or incentive does not result in identifiable and actual cost reductions, consistent with subdivision (k), to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).*

(B) *The concession or incentive would have a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households.*

(C) *The concession or incentive would be contrary to state or federal law.*

(d) (2) **The applicant shall receive the following number of incentives or concessions:**

(C) **Three incentives or concessions for projects that include at least 30 percent of the total units for lower income households, at least 15 percent for very low income households, or at least 30 percent for persons and families of moderate income in a common interest development.**

(e) (1) **In no case may a city, county, or city and county apply any development standard that will have the effect of physically precluding the construction of a development meeting the criteria of subdivision (b) at the densities or with the concessions or incentives permitted by this section.**

Additionally Section 65651 and Section 65654 of the government code state as follows:

Section 65651 (a) **Supportive housing shall be a use by right** in zones where multifamily and mixed uses are permitted, including nonresidential zones permitting multifamily uses, if the proposed housing development satisfies all of the following requirements:

(1) *Units within the development are subject to a recorded affordability restriction for 55 years.*

(2) *One hundred percent of the units, excluding managers' units, within the development are dedicated to lower income households and are receiving public funding to ensure affordability of the housing to lower income Californians. For purposes of this paragraph, "lower income households" has the same meaning as defined in Section 50079.5 of the Health and Safety Code.*

(5) *Nonresidential floor area shall be used for onsite supportive services in the following amounts:*

(A) For a development with 20 or fewer total units, at least 90 square feet shall be provided for onsite supportive services.

Section 65654. If the supportive housing development is located within one-half mile of a public transit stop, the local government shall not impose any minimum parking requirements for the units occupied by supportive housing residents.

The project applicant (DANCO) has waived their right to a ministerial approval of the Permanently Supportive Housing units, because the project as a whole includes more than just PSH units and because the applicant would like to go through the entire permitting process as a courtesy to the City of Fort Bragg. However, per Section 65654 the applicant is seeking a waiver for all parking for the PSH as the units are located within a half mile of a public transit stop (which is located at the MCDH).

Accordingly, the applicant has requested the following two Affordable Housing Incentives:

Table 1 – Affordable Housing Incentive Request			
Development Standard	CLUDC Zoning Requirement	Affordable Housing Request	Recommended Incentive
Reduction of Front Setback	25 feet	10 Feet	10 feet
Number of Parking Spaces	2 spaces for each unit, plus guest parking at a ratio of 1 uncovered space for each 3 units for a total of 170 spaces.	Permanently Supportive Housing: no tenant parking, five parking spaces for guests, employees and service providers. Senior Housing: 1 space per unit (25 spaces) and 4 guest spaces for 29 spaces total. Family Housing: 1.5 spaces per 3 bedroom unit, 36 spaces total. Total 70 spaces	As requested, 70 spaces total.

Staff has reviewed the parking and set back reduction requests in light of the required findings that would be necessary to reject the request under State housing law Section 65915 (d) 1A and B, and has determined that the parking reduction is reasonable as an incentive as the findings for rejection of the incentive cannot be made. The incentives:

1. Will result in identifiable and actual cost reductions necessary to provide for affordable housing costs; and
2. Will not have a specific, adverse impact upon public health and safety or the physical environment or on any real property that are listed in the California Register of Historical Resources.

Furthermore, staff does not anticipate a parking shortage in this neighborhood even with the reduced parking for the project, as the proposed project includes underutilized street frontage. The project would be “consistent with maintaining and improving the character of the surrounding neighborhood” (as required by Policy H-3.2 above).

Staff recommends that the Planning Commission approve the requested parking incentive for this proposed affordable housing project.

The requested front setback reduction would result in a functional site plan with more internal open space and a neighborhood atmosphere with more “eyes on the street” than would otherwise be possible. Additionally as the neighborhood has many large-scale multifamily projects and very large institutional uses (hospital, dental offices, etc.), the proposed project would add three smaller-in-scale traditionally designed residential projects to the neighborhood. The mix of scale and configurations for the different housing product types will provide visual interest to the neighborhood and improve the overall streetscape and feel of the larger neighborhood. Thus, the reduction in the setback from 25 feet to ten would not have a negative visual impact on the neighborhood.

The Planning Commission will need to provide final approval of the incentives by resolution and a resolution have been attached for this purpose (Attachment 9).

Density Bonus

Under state Law and the City’s CLUDC the applicant is eligible to request a density bonus of ten percent. However, the applicant did not request a density bonus. The project site has a total average density of 13.6 units per acre. The CLUDC requires a density of between 12 and 24 units per acre for this zoning district, and the proposed project is within this density range.

Long Term Affordability Requirements

Additionally, in order to qualify for the incentives under State law, the income thresholds and the total number of affordable units must be guaranteed for at least 55 years. Normally the City requires an Affordable Housing Regulatory Agreement with the City in order to ensure this long term affordability. However, if this project is funded through Tax Credit Allocation, the California Tax Credit Allocation Committee requires a more restrictive regulatory agreement (with a much longer timeframe of 55 years instead of 30 years). **Special Condition 2 is recommended** to ensure long term affordability.

Special Condition 2: Prior to issuance of the Certificate of Occupancy, the developer shall either: 1) present the City with a copy of a fully executed Affordable Housing Regulatory Agreement with the California Tax Credit Allocation Committee; or 2) develop, execute and record an Affordable Housing Regulatory Agreement that is approved by the City Attorney and that complies with Section 17.32.080 B of the CLUDC.

USE PERMIT ANALYSIS

Multi-family housing is a permitted use by right in the RVH district; no use permit is required.

COMPLIANCE WITH CLUDC ZONING STANDARDS

COMPLIANCE WITH CLUDC DEVELOPMENT STANDARDS

The proposed project complies with all required zoning standards for the Very High Density Residential (RVH) Zoning District. See Table 2, below, for specific standards and project details.

Development Aspect	Zoning Requirement (CO)	Proposed Project	Compliance
Front setback	10 feet	10 feet per incentive	Yes
Rear Setback	10 feet	10	Yes
Side Setback	10 feet	West 10 FT, East 12 FT	Yes
Site Coverage	No Limitation	NA	NA
Height Limit	45 feet	16 feet & 24 feet	Yes
Floor Area Ratio (FAR)	0.40	0.3	Yes
Density	12 to 24 units/acre	13.5 units/acre.	Yes

- Setbacks – the structures comply with all setbacks, if the Planning Commission authorizes the reduction of the front setback from 25 feet to 10 feet as an affordable housing incentive to the developer. Additionally section 17.42.120 of the CLUDC requires that no more than 40 percent of the front setback be paved for walkways, driveways, or other hardcover pavement. Less than five percent of the frontage in the proposed design is dedicated to pavement (for drive isles). As this parcel is a double frontage lot, the front setback applies to both street frontages (South Street, and Kemppe Street).
- Site coverage – there is no limitation on site coverage in the RVH Zoning District.
- Height – All proposed structures are well under the 45-foot maximum building height as follows:
 - The PSH and the senior cottages are proposed at a maximum 16 feet above finished grade.
 - The duplexes are proposed at a maximum 24 feet above finished grade.
 - The common buildings are proposed at a maximum of 22 feet above finished grade.
 - The PSH Commons and PSH offices building are proposed for 23 feet above grade.
- Floor Area Ratio (FAR) – FAR is the ratio of floor area to total lot area. With approximately 65,038 square feet of total proposed floor area on a 5 acre parcel (215,000 square feet) the project will yield a FAR of 0.3, well below the allowable FAR limit of 0.40 (see Table 3 below).
- The project includes 68 units and the site is just under five acres, so the density is 13.5 units per acre, which conforms to this standard.

	Total Buildings (SF)	Site Size (SF)	FAR
Permanent Supportive Housing	17,106	71,420	0.24
Senior Cottages	19,642	84,960	0.23
Workforce Housing Duplexes	28,290	58,657	0.48
Total	65,038	215,037	0.30

COMPLIANCE WITH CLUDC SITE STANDARDS

Parking

Seventy parking spaces are proposed as the applicant is requesting and is eligible for a reduction in parking as an incentive for providing at least 30% of the units as affordable housing. As noted previously the project will provide 70 parking spaces as follows:

1. Permanently Supportive Housing: no tenant parking, five parking spaces for guests, employees and service providers;
2. Senior Housing: 1 space per unit (25 spaces) and 4 guest spaces for 29 spaces total; and
3. Family Housing 1.5 spaces per 3-bedroom unit, 36 spaces total.

An analysis of how these parking lots conform to the CLUDC follows:

- Six of the parking spaces are designated as ADA spaces, which are more than required by CLUDC Chapter 17.36 or state law.
- State Law requires that two of the spaces be dedicated to Electrical Vehicle Charging Stations. The applicant will need to identify two EV charging stations on the Site Plan. Please see **Special Condition 3**.

Special Condition 3: Prior to issuance of building permit, the applicant shall resubmit the site plan illustrating one EV Changing Station in the Senior Housing parking lot, one EV Changing Station in the PSH parking lot, and two EV charging stations in the Workforce Housing parking lot, for approval by the Community Development Director. The EVCS shall be installed prior to final of the building permit.

- The applicant's site plan describes 11 bicycle parking spaces (3 on the PSH and 8 for the senior project), while this is more than the amount required by the CLUDC, staff **recommends Special Condition 4** to clarify the location for bicycle parking and to also include bicycle parking in the workforce housing portion of the project.

Special Condition 4: Prior to issuance of building permit, the applicant shall resubmit the site plan illustrating bicycle parking for the Senior and Workforce Housing parking for Community Development Director approval.

- The CLUDC requires that parking lots with more than 50 parking spaces provide one motorcycle parking space for each 50-vehicle spaces provided. Staff has included **Special Condition 5** to ensure that one motorcycle space is added to the Workforce Housing parking lot.

Special Condition 5: Prior to issuance of building permit, the applicant shall submit a revised site plan illustrating one motorcycle parking space for approval by the Community Development Director.

Section 17.42.120 of the CLUDC requires that "off street parking be located so that it is not visible from the street fronting the parcel." The various project parking lots are located behind the residential units and are shielded from view of the public right of way. The PSH parking is for the office uses associated with the provision of services to PSH clients; it is not residential parking and thus does not need to be

located behind the residential units. However as noted below this parking lot should will need to be slightly reconfigured as required by Special Condition 6.

Parking Lot Zoning Standards. The proposed project complies with all but two of the required standards for parking lots as noted in Table 4 below.

Table 4: Development Standards for Proposed Parking Lot		
Development Standards	Requirements	Proposal
Parking Lot Visibility	Section 17.42.120 of the CLUDC requires that “off street paring be located so that it is not visible from the street fronting the parcel.”	The residential parking lots are located behind the residential units and are shielded from view of the public right of way.
Parking Space Dimensions	90 degree angle parking should have a minimum space width of 9 feet and a minimum space depth of 18 feet.	The proposed parking lot offers 9-foot wide spaces and a space depth of 18 feet.
Driveway width and depth	The minimum driveway width for 90 degree angle parking is 23 feet.	The proposed parking lot driveway width is 25 feet.
Driveway Cueing Area	Section 17.36.090 B1 requires “A nonresidential development that provides 50 or more parking spaces shall have access driveways that are not intersected by a parking aisle, parking space, or another access driveway for a minimum distance of 20 feet from the street right-of-way, to provide a queuing or stacking area for vehicles entering and exiting the parking area.”	The site plan illustrates more than a 20-foot cuing area at all four parking lot entrances, except for the PSH parking area. Staff recommends Special Condition 6 to address this.
Distance from Street Corners	Per 17.36.100B1 Each driveway shall be separated from the nearest street intersection as follows, except where the City Engineer allows less separation: 1. A minimum of 150 feet from the nearest intersection, as measured from the centerline of the driveway to the centerline of the nearest travel lane of the intersecting street	The driveway on the north side of the parcel intersects with the alley intersection across Kemppe Street (at the Imaging Center). The City engineer has determined that the continuation of the alley onto the site would provide for the safest flow of traffic and the best configuration for turning through the intersection.

<p>Parking Lot Landscaping</p>	<p>Per section 17.34.050C5a, Multi-family, commercial, and industrial uses shall provide landscaping within each outdoor parking area at a minimum ratio of 10 percent of the gross area of the parking lot. Location of landscaping. Landscaping shall be evenly dispersed throughout the parking area, as follows. i) Orchard-style planting (the placement of trees in uniformly spaced rows) is encouraged for larger parking areas. ii) Parking lots with more than 50 spaces shall provide a concentration of landscape elements at primary entrances, including, at a minimum, specimen trees, flowering plants, enhanced paving, and project identification. iii) Landscaping shall be located so that pedestrians are not required to cross unpaved landscaped areas to reach building entrances from parked cars. This shall be achieved through proper orientation of the landscaped fingers and islands, and by providing pedestrian access through landscaped areas that would otherwise block direct pedestrian routes.</p>	<p>The proposed site plan includes 22 of the parking lot as landscaped areas, which exceeds the minimum landscaping requirement.</p> <p>i) The project site plan includes trees along the northern edge of the family parking lot. There is already a row of trees along the western edge of the site, which meets the intent of this requirement.</p> <p>ii) A detailed landscaping plan has not been submitted and this is not illustrated on the site plan. See Special Condition 7 to address this requirement.</p> <p>iii) Landscaped areas do not interfere with pedestrian access throughout the parking lot and the project.</p>
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Table 5: Parking Lot Landscaping Analysis			
	Landscaping (SF)	Parking Lot (SF)	% Landscaping
Senior Cottages	2,710	17,632	15%
Permanent Supportive Housing	568	4,384	13%
Workforce Housing	6,345	22,000	29%
Total	9,623	44,016	22%

The project site plan complies with most of the site development standards for the parking lot, however Special Condition 3 is recommended to address deficiencies:

Special Condition 6: Prior to issuance of building permit, the applicant shall submit a revised site plan illustrating: a 20-foot drive isle from the street that is not intersected by parking spaces to allow for vehicular queuing and stacking for the PSH parking lot. Additionally this strip shall be landscaped with attractive plants that screen the parking lot from public view.

Special Condition 7: Prior to issuance of building permit, the applicant shall submit a landscaping plan for the parking lots for review by the Community Development Director. The parking-landscaping plan shall comply with Section 17.34 of the CLUDC.

Fencing & Screening

A Monterey Cypress tree hedge is located on the adjacent property to the west and will provide sufficient screening between the two properties. However this area also includes an existing cyclone fence which is not a permitted fencing type within the front or side yards within any zoning district (17.30.050E3). The cyclone fencing appears to be located on the applicant’s property. This fencing can be left in place during construction (as construction fencing) to provide job site protection but must be removed prior to occupancy. **Special Condition 8** is included to mandate the removal of this fencing.

Special Condition 8: The applicant shall remove all cyclone fencing, located on the subject property, prior to approval of the Certificate of Occupancy for the project.

Additionally the project elevations include a notation for a decorative 6 FT wrought iron fence per City Standards. The City does not have a standard for decorative fencing. Therefore, staff recommends **Special Condition 9**.

Special Condition 9: Prior to issuance of building permit, the applicant shall submit a detailed fencing plan for review by the Community Development Director. All fencing shall comply with Section 18.30.050 of the CLUDC.

Landscaping & Lighting

The applicant has not submitted a detailed landscaping plan for the site. However, the site plan illustrates 32 trees, 114 bushes/plants and approximately 37,250 square feet of open space in four separate grassy commons/playgrounds. The site plan also includes significant areas of private landscaped yards and landscaping around the parking lot and interior walkways.

Table 6: Project Open Space	
	Open Space
Senior Cottages	14,665
Permanent Supportive Housing	14,597
Workforce Housing	8,006
Total	37,268

The applicant has not submitted a lighting plan. The CLUDC regulates outdoor lighting fixture height, energy efficiency and light spill over onto adjoining properties.

As the applicant has not submitted a detailed landscaping or lighting plan, **Special Condition 10** has been added to require that these plans be submitted and approved prior to issuance of the building permit.

Special Condition 10: Prior to issuance of the Building Permit, the applicant shall submit a detailed landscaping and lighting plan for review by the Community Development Director that includes local native plants only, preferably grown from local genetic sources. The landscaping plan shall comply with the sections 17.34.059C5b2 and 17.34.060 of the CLUDC. The Lighting Plan shall comply with 17.30.070. The Community Development Director shall approve the submitted landscaping and lighting plans prior to issuance of the building permit.

Signage

The project does not include a sign design. The applicant shall obtain a sign permit for project signage.

Special Condition 11: Prior to issuance of the Building Permit, the applicant shall submit a sign plan for review and approval by the Community Development Director.

Solid Waste Recycling & Material Storage

The site plan does not include a site for solid waste material and storage. However the facilities will be established in each parking lot. Additionally the plan does not illustrate the design or materials for the building enclosure, therefore **special Condition 12** has been added.

Special Condition 12: The applicant shall provide: 1) a site plan that illustrates a dumpster/recycling area for each parking lot of each facility and 2) elevations and floor plan for the solid waste recycling storage building, to the Community Development Director for approval prior to issuance of the Building Permit. The storage structure shall have the same quality and level of finish as the other buildings on the site.

COMPLIANCE WITH MULTI-FAMILY REQUIREMENTS

STANDARDS FOR SPECIFIC LAND USES MULTIFAMILY

The Coastal LUDC section 17.42.120 includes specific standards for multi-family projects, which are summarized in the Table below with an analysis of the projects compliance with the applicable standard.

Table 4: Compliance with CLUDC Multi-Family Standards

Standard	Requirement	Project	Compliance
Front Set Back	No more than 40% of the front setback may be paved.	Less than 10% of the front setback is paved with drive isles and walkways.	Yes
Open Space	Section 17.42.120 of the CLUDC requires that multifamily projects “provide permanently maintained outdoor open space for each dwelling unit (private space) and for all residents (common space).” Projects of more than eleven units must provide 100sf of common open space and 150 SF with patios or porches of private open space per unit.	The proposed project complies with both open space requirements. All three unit types would have a patio or 88 SF and outdoor gardening areas of 250 SF for each unit (total of 338 SF/unit). The total private open space is 23,000 SF. The project also includes 37,268 square feet of common landscaped open space or 886 SF per unit. Additionally the CLUDC requires that the common open space be accessible, continuous and usable and the proposed project provides this kind of high quality open space in three courtyard common areas.	Yes
Storage	Section 17.42.120 of the CLUDC requires that multifamily projects provide a minimum of 100 cubic feet of storage space outside of the unit.	The Common Misc buildings will provide a minimum of 100 cubic feet of locked storage area for each residence. The buildings will provide a minimum of 6,800 cubic feet of storage space in total.	Yes

Window Orientation	Section 17.42.120 of the CLUDC requires that windows that are 10 feet or less from another unit should be located to provide privacy between units.	The project floor plans and site plan are not detailed enough to determine if this criteria has been met. Special Condition 13 is recommended.	Special Condition 13
Accessory Structures	Accessory structures and uses (e.g., bicycle storage, garages, laundry rooms, recreation facilities, etc.) shall be designed and constructed with an architectural style, exterior colors and materials similar to the structures in the project containing dwelling units.	The proposed common building and common misc. building will have the same exterior treatments as the remainder of the project, however the applicant has not provided elevations for these structures and staff recommends Special Condition 14.	Special Condition 14
Outdoor Lighting	Outdoor lighting shall be installed and maintained along all vehicular access ways and major walkways, in compliance with 17.42.120F	The Landscaping and lighting plan has not been submitted with the application.	Special Condition 7
Building Facades Adjacent to Streets	At least 75 percent of the facade of each building adjacent to a public street is occupied by habitable space with windows. Each facade adjacent to a street shall have at least one pedestrian entry into the structure.	The project includes 12 duplexes, 2 cottages and one office building that fronts Kemppe Way. There are also eight cottages that front South Street. For all of the residences, 100% of the space facing the street is habitable space with windows. The Site Plan illustrates that all units that front a street have street fronting pedestrian entrances.	Yes

Special Condition 13: Prior to issuance of the Building Permit the applicant shall submit a detailed site plan for approval by the Director of Community Development, which illustrates that windows on each unit are oriented to ensure privacy within each unit from adjacent unit windows.

Special Condition 14: Prior to issuance of the Building Permit the applicant shall submit detailed floor plans and elevations for all accessory structures including the Commons Buildings, the Common Storage Building and Trash and Recycling Buildings for approval by the Director of Community Development. The accessory buildings shall be designed and constructed with an architectural style, exterior colors and materials similar to the structures in the project containing dwelling units.

COASTAL DEVELOPMENT PERMIT ANALYSIS

Cultural Resources

An archeological survey was completed for the site in September of 2006: after an extensive field survey, the archaeologist concluded that there is no evidence of archaeological sites or other historic resources. The survey provided no special direction for the handling of development in relation to cultural resources other than to recommend the City’s standard condition 6, which defines the standard

required response if unknown resources are discovered during construction. No impacts to cultural resources are expected as a result of the project. The City of Fort Bragg consulted with the Sherwood Valley Band of Pomo, which has pre-historic, historic and present day connections to the Fort Bragg Area. The SVBP Tribal Council has requested Native American monitoring during all ground-disturbing activities. However, as the archaeology survey did not identify any cultural sites on the parcel, Native American monitoring cannot be required by the City of the project applicant. In order to be responsive to the Tribe's concerns, staff reached out to Danco to determine if they would allow monitoring during ground disturbing activities at the tribes expense. Danco indicated that they would welcome tribal monitoring and would also pay for tribal monitors during ground disturbing activities. No special conditions are required for Native American monitoring as it this is a voluntary measure on the part of the applicant.

Environmentally Sensitive Habitat Areas, and Wetland and Riparian Protection

A wetland delineation and botanical study was prepared for the site by William Maslach a professional botanist/biologist in 2007. The analysis included full floristic and wetland delineation surveys in May, June, July and August of 2006. The surveys found no special status plants on the site and indicated that the site is covered in a meadow of exotic grasses, with a small stand of bishop pine located on the far eastern edge of the site. The biologist noted that the bishop pine population is too small to be considered a forest due to the small number of trees. A wetland survey was also completed and no primary or secondary wetland hydrology indicators were present. In December of 2017, SHN completed a botanical and wetland survey report for the site and found no evidence of wetlands or special status plants on the site. The report characterized the site as "a mowed field, dominated primarily by non-native grasses." the report noted that "a riparian woodland habitat occurs over 100 feet from the parcel edge....and wetland associated with the Noyo River are over 200 feet away." The report concludes that the site does not have ESHA, wetland or riparian habitat and the project will not have an impact on any special status species either on the site or within the nearby Noyo River basin. . The report did however note that the study was limited due to the time of the survey (December) and included recommendations for further study. **Special Condition 15a** has been added to require these additional studies prior to issuance of the Building Permit.

Special Condition 15a: Prior to issuance of the building permit, the applicant shall complete the following studies, and submit them to the Community Development Director for review. If the studies identify rare plants or wetlands, which would be impacted by the project, the applicant shall be required to apply for a CDP amendment to revise the site plan as necessary:

- A Seasonally appropriate (April to June) botanical surveys shall be conducted on parcel 018-340-004 for the special status plant species included in Table A-1 of the survey.
- Vegetation community mapping red fescue shall occur on parcel 018-340-004. The areas of parcel 018-340-004 to determine if it meets the vegetation community criteria for red fescue grassland.
- Spring and summer surveys should be conducted on parcel 018-340-004 for the special status animal species included in Table A-2. *Viola adunca* surveys should be conducted during the botanical surveys, to ascertain habitat viability for the Behren's silverspot butterfly (*Speyeria zerene behrensii*) between April 21 and June 14.

On February 6th City staff meet with Daniel Harrington, Environmental Scientist from Fish and Wildlife.

Mr. Harrington determined that four of the trees slated for removal qualify as an ESHA and that in order for them to be removed the applicant would have to establish a copse of trees three times larger than the one that would be removed. Alternatively, the project could be redesigned in order to avoid the ESHA. Staff discussed this alternative with the applicant, who agreed that **Special Condition 15b** should be included to address this concern.

Special Condition 15b: Prior to issuance of the Building Permit the applicant shall resubmit the site plan, including relocation of the playing yard, half basketball court and the **eastern five most units** of the multifamily housing to avoid the ESHA and the 30 foot ESHA buffer as roughly illustrated in the diagram below. Additionally during construction, construction fencing shall be placed on the 30 foot ESHA buffer (to be shown on all plans) to protect the ESHA from any construction damage during construction.



Special Condition 15c: Prior to issuance of the Certificate of Occupancy, a permanent redwood fence shall be installed along the 30-foot buffer (illustrated in orange) to protect the ESHA (illustrated in light green with a red border) from encroachment. No live tree removal is permitted within the ESHA area (as illustrated in the plan below).



Public Access

Chapter 17.56 of the Coastal Land Use and Development Code outlines public access requirements:

17.56.030: Access Location Requirements. Vertical, lateral, and/or blufftop access shall be required by the review authority in compliance with this Chapter, in the locations specified by the Open Space, Conservation, and Parks Element of the Coastal General Plan.

The project is not in an area used by the public to access the coast nor is it identified in the Coastal General Plan as a location for public access to the Noyo River. The properties to the north and south are identified as access points and irrevocable offers to dedicate will be required when these projects are developed in the future.

Special Communities, Neighborhoods, and Recreational and Visitor Serving Uses

The project will neither impact a special community or neighborhood nor displace or preclude any potential recreational or visitor serving uses.

Adequacy of water supply, sewage disposal, solid waste, and public roadway capacity

The following Coastal General Plan policy requires the City to determine if the project will be served adequately with existing utilities.

Policy PF-1.3: Ensure Adequate Service Capacity for Priority Uses.

- a. New development that increases demand for new services by more than one equivalent dwelling unit (EDU) shall only be permitted in the Coastal Zone if,
 - Adequate services do or will exist to serve the proposed development upon completion of the proposed development, and
 - Adequate services capacity would be retained to accommodate existing, authorized, and probable priority uses upon completion. Such priority uses include, but are not limited to, coastal dependent industrial (including commercial fishing facilities), visitor serving, and recreational uses in commercial, industrial, parks and recreation, and public facilities districts. Probable priority uses are those that do not require an LCP amendment or zoning variance in the Coastal Zone.
- b. Prior to approval of a coastal development permit, the Planning Commission or City Council shall make the finding that these criteria have been met. Such findings shall be based on evidence that adequate service capacity remains to accommodate the existing, authorized, and probable priority uses identified above.

As conditioned below, the 69 unit Danco project will be served by existing services.

Water Supply. The City's ongoing need for water storage during severe drought conditions was addressed with the construction of the City's new Summers Lain Reservoir, which provides an additional 15 million gallons (MG) of raw water storage to help ensure a reliable water supply during the late summer months when flows are low at the City's three water sources. This additional raw water storage will ensure adequate water supply during severe drought years and will help to meet the needs of current and future development for the City.

On a daily basis the City currently produces about 50 gallons of treated water per resident. The 69 new residences will serve approximately 115 residents, which would use up to 5,750 gallons of water per day or 2 million gallons per year. This is a 0.6% overall increase in water demand for the City's Water Enterprise. With the new 45 Acre Foot Summers Lain reservoir, the City currently has sufficient water supply and storage to meet in excess of a 20 percent increase in overall water demand and thus can accommodate the additional 0.6% water demand from the Danco project.

Water Service. The project is served by two 8 inch water mains along Kempe Way and South Street. These water mains should provide sufficient levels of service, however the water main on South Street will need to be extended to the edge of the project site as part of the project. Additionally it is desirable for a new water main to be installed within the drive isles that enter the property to cross the property and thereby provide better overall hydrological performance in the area. Indeed some water pressure issues exist in this area of the City's water distribution system. The City can provide pressure data for the Hydrant 154 at Kempe Way and River Dr. and for Hydrant 158 at South St and River Dr. Additionally, under contract with the City, KASL Engineering has developed a computer model to analyze water pressures and they may be able to run site specific analyses for a fee to the applicant.

The Public Works Director and the developer will work together to ensure that the project, when constructed, has adequate water pressure and that no lessening in water pressure to other properties in the same sector occurs. In order to ensure this occurs, **Special Condition 16** has been added.

1. **Special Condition 16:** Prior to final of the building permit, the developer shall:
 - a. Create a solution to the satisfaction of the Public Works Director that water pressures can be achieved (via pressure pump, tank, etc.) for enhancing the water system to meet City standards. Documentation to this effect shall be submitted to the Public Works Department, prior to issuance of the building permit.
 - b. The applicant shall ensure adequate pressure and flow to the subject site to provide necessary domestic and fire suppression flows.
 - c. The applicant shall extend the 8" water main on South Street along the length of South Street in front of the project site. New water laterals shall connect the development to the constructed water main.
 - d. The Public Works Department may further require that an 8" water main connection be installed between the main on Kempe Way and the Main on South Street along the drive isles that transects the property, to ensure adequate system pressures can be maintained.
 - e. All water main improvements shall be dedicated to the City of Fort Bragg. If a main is constructed across the parcel to create a loop, a Public Utility (or similar) Easement of at least ten feet in width shall be recorded.
 - f. A backflow devise (per City standards) shall be installed for both domestic and fire suppression lines.
 - g. The utility hookup configurations will be approved by the Director of Public Works or designated staff. Alternate main location options may be considered.

Additionally as all-new development is required to pay its fair share of the water system infrastructure and future capital improvements through the Water Capacity Charge, the applicant will be required to pay water capacity charges when they secure their Building Permit. (See Special Condition 12).

Waste Water. The City's Waste Water Treatment Plan was sufficient capacity to serve the new development. The sewer main on South Street transitions from an 8"line to a 6" line about 300 feet from the project site on South Street. The sewer main will need to be increase to an 8" line to handle the flow from the proposed project (see Attachment 4). In order to ensure this occurs, **Special Condition 17** has been added.

- Special Condition 17:** Prior to issuance of a grading permit or building permit, the developer shall:
 - a. Submit plans for the installation of a sewer main in South Street (to City Standards) from the manhole in intersection of South Street and River Drive to the proposed development to the satisfaction of the Public Works Director.
 - b. The new sewer main shall be adequately sized to achieve standards established by the FBMC and reasonably designed to convey wastewater for future development of the parcel. FBMC section 14.28.040 states The minimum size of a sewer lateral shall be 4-inch diameter. The minimum slope of a sewer lateral shall be 2 feet per 100 feet (2% slope). Exceptions will be reviewed and approved at the discretion of the District Manager.
 - c. New waste water laterals shall connect the development to the constructed sewer main, per the satisfaction of the Director of Public Works.

- d. The exact location of the waste water line in the City right of way will be determined by the City Engineer at the time of review of the encroachment permit application.
- e. A new waste water lateral shall connect the development to the constructed sewer main.
- f. All new constructed gravity fed waste water mains shall be dedicated to the City. However waste water force mains will remain in the ownership of property owner and all maintenance of associated lift stations and force main will remain the owner's responsibility.
- g. Utility hookup configuration will be worked out with the Public Works Director or designated staff. Alternate main location options may be considered.

Additionally as all new development is required to pay its fair share of the wastewater system infrastructure and future capital improvements through the wastewater Capacity Charge, the applicant will be required to pay wastewater capacity charges when they secure their Building Permit.

Special Condition 18: Prior to issuance of a grading permit or building permit, the developer shall pay all Water and Sewer Capacity Fees and Storm Drain Fees.

Circulation, Access & Street Frontage

Based on survey map LLA1-94, South Street was dedicated to the City, however the City has been unable to identify documentation that the city accepted the dedication, this is likely because the street is unimproved and the City generally does not accept the dedication of unimproved streets. The proposed project will LAO require considerable street and frontage improvements along South Street and Kemppe Way to comply with Section 17.30.090 of the CLUDC; including: installation of sidewalk, curb and gutter along the project frontage on the south side of Kemppe Way. **Special conditions 19 and 20** are recommended to address this deficiency.

Special Condition 19: The developer shall submit to the City Engineer, for review and approval, improvement drawings for required public improvements. The plans shall be drawn by, and bear the seal of, a licensed Civil Engineer. Street Section Standards for Minor and Collector streets is City Standard No. 204.

Special Condition 20: Prior to issuance of a Certificate of Occupancy for the project the following public improvement will be completed by the applicant per the direction of the Director of Public Works and according to City standards:

- a) South Street shall be improved as follows, prior to the final of the building permit: south street shall be improved along the length of the parcel frontage including a 50' fully paved ROW and a paved parking lane. Upon improvement to this section, and prior to final of the building permit, the paved portion of the street shall be dedicated to the City.
- b) Installation of sidewalk, curb, corner ramps, gutter and conform paving along the project frontage on the south side of Kempe Way.
- c) Installation of sidewalk, curb, corner ramps, gutter and conform paving along the project frontage on the North side of South Street. A gravel shoulder will be accepted on the south side.

All frontage and utility improvements (ADA compliant driveway aprons, corner ramps, sidewalk, curb, gutter, conform paving, etc.) shall be implemented according to current City Standards.

Geologic Hazard. The site is located 170 feet inland from the coastal bluff overlooking the Noyo River at the end of Kemppe St and therefore, is not subject to hazards associated with coastal bluff erosion. All hazards associated with earthquakes will be addressed by the building permit process under the authority of the California Building Code.

Flood Hazard. According to Federal Emergency Management Agency (FEMA) flood insurance maps the project site is located outside the 500-year flood plains associated with the Noyo River. No flooding concerns are raised relative to the project.

Visual Analysis

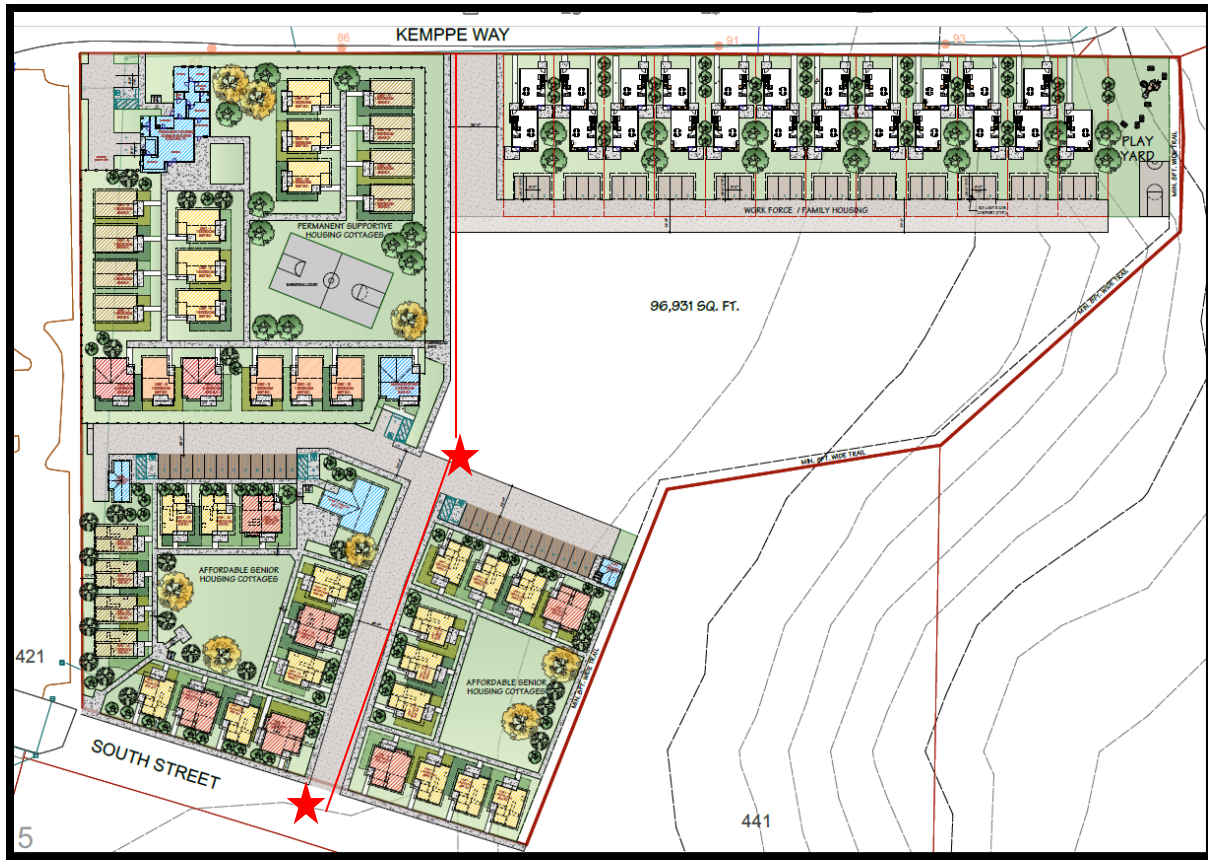
The project is not in an area requiring visual analysis as part of the Coastal Development Permit review process, therefore no review of visual impact of the proposal to coastal scenic views is required. The project is subject to Design Review as discussed later in this report.

Fire and Life Safety

The Fire Marshal reviewed the project plans and did not issue a statement of concern regarding fire and life safety. The new buildings code requires that all buildings have sprinkler systems, a monitored alarm system, and parking and driveway areas that are navigable by fire trucks and other emergency vehicles. The Fire Marshal identified the following required physical improvements for the project: 1) two fire hydrants and a connecting waterline (for pressure) shall be installed as illustrated in **Special Condition 21** below; 2) a flow alarm is required for the sprinkler system; 3) two clearly visible panic gates are required for the fencing surrounding the PSH facility; and 4) emergency vehicle access must be provided from Kemppe Way through the site to South Street. Other Fire Code requirements will be incorporated in the construction plans as necessary during the building permit review by the Fire Marshall.

Special Condition 21: Fire Marshall Requirements

- a) Prior to issuance of the building permit the applicant shall complete a water modeling analysis that illustrates a minimum flow rate of 1,500 gallons per minute for all hydrants on the project site.
- b) Prior to issuance of the building permit that applicant shall submit plans and specifications for two panic hardware/gates that shall be added to the fence surrounding the PSH project
- c) Prior to final of the building permit a flow alarm shall be installed on the project sprinkler system.
- d) Prior to issuance of a building permit, the applicant shall submit a revised site plan that clearly illustrates: 1) the installation of a water main connecting Kemppe Way with South Street; 2) the installation of two fire hydrants as illustrated in red stars below; and 3) emergency vehicle access from Kempee way through to South street. Other fire suppression requirements (including infrastructure) may be required by the Fire District. All fire hydrants, valves, service lines, etc. comprising this new infrastructure shall be included on site plans for review and approval by the Fire Marshall and the Public Works Department.



Senior housing projects tend to have a high incidence of false fire alarms, especially if there is no on-site property manager. One senior project in the City of Fort Bragg currently results in over \$60,000 in excess expense due to false fire alarms and the absence of an on-site property manager. In order to reduce the incidence of false fire alarms and excessive fire response by the volunteer fire department the Fire Marshal recommends that an on-site manager be required. **Special Condition 22** has been added to ensure that one of the units is used by an on-site property manager as proposed.

Special Condition 22: The property shall have an on-site residential property manager in order to minimize false alarms to the fire department. In the event that false fire alarms exceed three in any year, the Fort Bragg Fire Department will charge the property owner for all costs related to excess false fire alarms.

Storm Water Runoff Pollution Control/Project of Special Water Quality Concern

The site plan layout is intended to maximize on-site retention and infiltration of storm water by providing open spaces in the central common areas, use of permeable parking surfaces and vegetated swales along the perimeter of the site, taking into account the west-to-east tendency of surface water flow on the site. The Coastal General Plan includes a number of storm water policies that are relevant to this project including:

Policy OS-11.1: Use Integrated Management Practices in Site Design. The city shall require, where appropriate and feasible, the use of small-scale integrated management practices (e.g., Low Impact Development techniques) designed to maintain the site's

natural hydrology by minimizing impervious surfaces and infiltrating stormwater close to its source (e.g., vegetated swales, permeable pavements, and infiltration of rooftop runoff).

Policy OS-11.4: Infiltrate Stormwater Runoff. Development shall maximize on-site infiltration of stormwater runoff, where appropriate and feasible, to preserve natural hydrologic conditions, recharge groundwater, attenuate runoff flow, and minimize transport of pollutants. Alternative management practices shall be substituted where the review authority has determined that infiltration BMPs may result in adverse impacts, including but not limited to where saturated soils may lead to geologic instability, where infiltration may contribute to flooding, or where regulations to protect groundwater may be violated.

Policy OS-11.5: Divert Stormwater Runoff into Permeable Areas. Development that creates new impervious surfaces shall divert stormwater runoff flowing from these surfaces into permeable areas, where appropriate and feasible, to enhance on-site stormwater infiltration capacity.

Policy OS-11.6: Use Permeable Pavement Materials. To enhance stormwater infiltration capacity, development shall use permeable pavement materials and techniques (e.g., paving blocks, porous asphalt, permeable concrete, and reinforced grass or gravel), where appropriate and feasible. Permeable pavements shall be designed so that stormwater infiltrates into the underlying soil, to enhance groundwater recharge and provide filtration of pollutants. All permeable pavement that is not effective in infiltrating as designed will be replaced with effective stormwater detention and infiltration methods.

With more than 122,000 square feet of new impervious surfaces (roof tops, sidewalks, parking spaces, drive isles), the project is categorized as a project of Special Water Quality Concern by the CLUDC.

Policy OS-12.1: Developments of Special Water Quality Concern. The categories of development listed below have the potential for greater adverse coastal water quality impacts, due to the development size, type of land use, impervious site coverage, or proximity to coastal waters. A development in one or more of the following categories shall be considered a "Development of Special Water Quality Concern," and shall be subject to additional requirements set forth in Policy OS-12.2 below to protect coastal water quality. Developments of Special Water Quality Concern include the following:

- a) Housing developments of ten or more dwelling units.

As a project of Special Water Quality Concern the project must comply with the following policies.

Policy OS-12.2: Additional Requirements for Developments of Special Water Quality Concern. All Developments of Special Water Quality Concern (as identified in Policy OS-12.1, above) shall be subject to the following four additional requirements to protect coastal water quality:

- 1) Water Quality Management Plan. The applicant for a Development of Special Water Quality Concern shall be required to submit for approval a Water Quality Management Plan (WQMP), prepared by a qualified licensed professional, which supplements the Runoff Mitigation Plan required for all development. The WQMP shall include hydrologic calculations per City standards that estimate increases in pollutant loads and runoff flows resulting from the proposed development, and specify the BMPs that will be implemented to minimize post-construction water quality impacts.
- 2) Selection of Structural Treatment Control BMPs. As set forth in Policy OS-10.4, if the review authority determines that the combination of Site Design and Source Control BMPs is not sufficient to protect water quality and coastal waters as required by Policy OS-9.3, structural Treatment Control BMPs shall also be required. The WQMP for a Development of Special Water Quality Concern shall describe the selection of Treatment Controls BMPs, and applicants shall first consider the BMP, or combination of BMPs, that is most effective at removing the pollutant(s) of concern, or provide a justification if that BMP is determined to be infeasible.
- 3) 85th Percentile Design Standard for Treatment Control BMPs. For post-construction treatment of runoff in Developments of Special Water Quality Concern, Treatment Control BMPs (or suites of BMPs) shall be sized and designed to treat, infiltrate, or filter the amount of stormwater runoff produced by all storms up to and including the

85th percentile, 24-hour storm event for volume-based BMPs, and/or the 85th percentile, 1-hour storm event (with an appropriate safety factor of 2 or greater) for flow-based BMPs.

- 4) Goal for Runoff Reduction. In Developments of Special Water Quality Concern, the post-development peak stormwater runoff discharge rate shall not exceed the estimated pre-development rate for developments where an increased discharge rate will result in increased potential for downstream erosion or other adverse habitat impacts.

Special Condition 23. Prior to issuance of the Building Permit the applicant shall provide a stormwater analysis and plan Per code section 17.64.045 that proves that:

- a. Storm water runoff has been minimized by incorporation of Low Impact Development (LID) strategies that minimize impermeable areas, maximize permeable areas, and that slow, spread, and sink runoff to recharge groundwater and minimize runoff. Runoff that is expected shall be collected at vegetative swales or bio retention facilities and overflow finally conveyed by a storm drain system approved by the City Engineer.
- b. Treatment Control BMPs have been sized and designed to retain and infiltrate runoff produced by all storms up to and including the 85th percentile (.83" in 24-hours) based on the size of the development.
- c. An Operations and Maintenance Plan has been developed for all regulated project components by the State NPDES Phase II MS4
- d. All drainage channels, conduits, culverts, and appurtenant facilities shall have sufficient capacity to convey a 100-year flood. The existing drainage infrastructure is a 24" diameter which conveys storm water from River Gardens at the south west corner of the subject lot in a northerly direction (red lines on the attached CAD map). Applicant shall provide analysis documenting sufficiency of existing infrastructure or provide engineer reviewed design of proposed upgrades to drainage conveyance system. If upgrades to infrastructure are required, this shall be completed by the developer.

Special Condition 24: All public improvements to drainage conveyance systems shall be dedicated to the City.

The existing drainage infrastructure adjacent to this site is a 24" diameter storm drain which conveys storm water from River Gardens at the south west corner of the subject lot in a northerly direction. The applicant will need to provide an analysis that documents the sufficiency of existing infrastructure or provide an engineer reviewed design of a new proposed drainage conveyance system. If upgrades to infrastructure are required, this shall be completed by the developer and dedicated to the City. **Special Condition 25** has been added to ensure that these requirements are met.

Special Condition 25. Prior to issuance of the Building Permit the applicant shall provide an analysis that documents the sufficiency of existing storm water infrastructure or provide an engineer reviewed design of a new proposed drainage conveyance system. If upgrades to infrastructure are required, this shall be completed by the developer and dedicated to the City.

The project applicant has requested that a special condition be placed on the project so that the Water Quality Management Plan may be approved by the City Engineer prior to issuance of the building permit for the project. Staff has apprised the applicant that completion of the Water Quality Management Plan

may require the applicant to redesign features associated with production, treatment and infiltration of storm water. Accordingly, Staff is recommending **Special Condition 26**.

Special Condition 26. Prior to issuance of the Building Permit the applicant shall submit a Water Quality Management Plan and/or a Storm Water Pollution Prevention Plan (SWPPP) that for review and approval by the City Engineer. In addition, such plan shall comply with all storm water management requirements of the CLUDC Section 17.64 and Municipal Code Section 12.14. . A Runoff Mitigation plan (RMP) is required by the City to demonstrate the project meets the requirements is established by local, state and federal regulations. The RMP requirement can be fulfilled by a SWPPP as long as it complies with the above-mentioned regulations. If using a SWPPP to fulfill the RMP, a draft version should be submitted to the City to ensure the project is in compliance prior to filing for a Notice of Intent (NOI).

DESIGN REVIEW

Energy Efficiency

Coastal General Policies relevant to green building practices include the following:

Policy OS-6.2 Development Review Process: Make energy conservation an important criterion in the development review process.

Policy OS-6.3 Alternative Energy: Encourage the development and use of alternative sources of energy such as wind, solar, and waves to meet Fort Bragg's energy needs.

As proposed, the project will:

- a. Take advantage of passive solar gain for some of the space heating requirements of each unit.
- b. Achieve insulation values of R-22 or better in the walls and R-49 or better in the roof.
- c. Space heating will be provided by air-source heat pumps with equipment located in mechanical space at the roof level.
- d. Achieve energy efficiency as indicated in Reg. Section 10325(c)(6)(B) beyond the requirements in the 2016 Title 24, Part 6 of the California Building Code (2016 Standards).

The combination of these strategies will result in buildings that are energy efficient and maintain minimal utility costs for the residents while exceeding California Title 24 Building Energy Code compliance standards.

Compliance with Citywide Design Guidelines

The individual senior and PSH cottages and the multi-family duplexes have an architectural style that is typical of coastal northern California and Fort Bragg. There are several variations and sizes of cottages which add to the visual appeal of the project. All cottages include covered porches and some have small decks, which add visual interest to the buildings. The building fronts are well-articulated with plenty of windows to provide for a nice architectural appearance from the outside and good day-lighting on the inside. The duplexes include porches facing the streets, good window placement and a combination of board and baton and hardi-plank siding.

The Citywide Design Guidelines provide guidance for Design Review and each relevant guideline is summarized in the table below, along with a description of how the project conforms to the guideline and any Special Conditions required for conformance.

Table 5: Compliance with Citywide Design Guidelines

Relevant Design Guidelines	Project Compliance
New multi-family residential development should be compatible with other development in the immediate area through the use of complementary building arrangements, buffers, and avoidance of overwhelming building scale and visual obstructions.	The project is composed of small dispersed buildings and is compatible with the scale of development in the neighborhood. The pocket parks help to create a micro neighborhood feel for each separate project type.
Developments should relate directly to the adjacent street, and present an attractive and interesting façade to passersby.	All of the duplex units are oriented along Kemppe street, which provides for a very traditional neighborhood design. All senior cottages along the street frontages are oriented to the street. Two of the PSJ units are not oriented to the street, Special Condition 27 is recommended to address this non-compliance.
Whenever possible, buildings should be configured around courtyards, gathering areas, and open spaces.	Both the senior cottages and the PSH cottages are oriented around one of three central commons which create a pocket neighborhood of similar low scale and vernacular context. The workforce duplexes are oriented to the street.
Buildings should be oriented to provide some privacy yet still relate to the street and the existing community. Doors should be visible from the street and windows should allow residents to have “eyes on the street” for natural surveillance.	Along South Street and Kemppe Way, the units are oriented toward the sidewalk and connected to the sidewalk with pathways and a visible door (except for two PSH units see special condition 27). Windows are oriented to provide eyes on the street. However two of the units on South Street (unit 28 and Unit 30) have only one very small window that fronts South Street. From a review of the floor plan this window is located in the bedroom. Thus it is probably not practical to require a larger window here.
Energy efficiency and energy conservation should be considered in building siting. Buildings should be oriented to take advantage of solar opportunities whenever possible.	The project design emphasizes passive solar gain along with daylighting within units. Thirty-three of the units will have excellent passive solar access with the main access of the building facing south with un interrupted solar access. Most of the other building will have fair solar access.
Where bus routes are located near the development, the site design should consider convenience and comfort factors for residents. These include direct access, widened sidewalks, seating areas, and weather protection provided near public transit stops.	The closest transit stop is located at the Mendocino Coast District Hospital. The project will include installation of sidewalks along Kemppe Way to provide for easy access to the transit stop (see Special Condition 20).

<p>Open Space</p> <ol style="list-style-type: none"> 1. Residents should have access to useable open space for recreation and social activities. Open spaces should be conveniently located for the majority of units. 2. Open space areas should be sheltered from the noise and traffic of adjacent streets or other incompatible uses. Open space siting should give consideration to prevailing breezes and sun orientation in order to provide a comfortable environment. 3. A series of connected open space areas of varying shape, appearance and usage are encouraged. Smaller areas may directly relate to a cluster of units, while the larger areas may serve several clusters as common open space. 4. Boundaries between private and common open spaces should be clearly defined by low walls or plant materials. 5. Private open space should be provided adjacent to the units it serves and should be immediately adjacent to the public right-of-way or common open space. 6. Shade structures are encouraged to provide shelter from sun and rain. 	<ol style="list-style-type: none"> 1. The open space areas total 17% of the site. The courtyards and play areas are designed to encourage outdoor use and activity. The multi-family project commons areas includes a playground for children and a half-court basketball court. Likewise the PSH commons include space for gardening, socializing and a full court basketball court. 2. The common spaces are interior to the development and are sheltered from street noise. They are also well situated to maximize solar gain and to be protected from prevailing ocean breezes from the north west. 3. The commons spaces are interconnected with paths to form pocket neighborhood, and they are of varying shape and utility. 4. Boundaries between common space and private space will be clearly defined by the installation of low fencing and plantings. 5. Private open space is proposed to be located directly in front of each unit it serves. 6. Shade structures are provided in the form of front porches.
<p>Play Areas</p> <ol style="list-style-type: none"> 1. Children’s play areas should be visible from as many units as possible and from private open space areas. Direct, convenient access from ground level, private open space to the communal play area is encouraged. 2. Outdoor play areas should be located adjacent to laundry rooms, community centers, or similar common facilities. Play areas should not be located near public streets, parking, or entry areas unless physically separated by appropriate walls, fencing, or dense landscaping. 3. Hard surface areas for outdoor activities (e.g., bicycle riding, skating, rope jumping, and 	<ol style="list-style-type: none"> 1. The proposed play areas are not located adjacent to the multi-family units, however they are located in a natural setting with lovely views to the Noyo River. Sidewalks provide direct access to this play area. 2. This play area is not located next to a community center, however is in well away from public parking and streets. A fence could be installed between the play area and the end of Kemppe Way, however Kemppe Way turns the corner prior to the play area and so is not strictly necessary. Dense landscaping may make more sense for this area. 3. The play area includes a half-court basketball court which can easily be utilized for a variety of listed outdoor activities.

<p>hopscotch) should be provided. These active play areas should be safely separated from vehicular use areas.</p> <p>4. Seating areas should be provided where adults can supervise children’s play and also where school-age children can sit. Seating location should consider comfort factors, including sun orientation, shade, and wind.</p>	<p>4. As the code requires that play areas include seating areas for adults, see Special Condition 28.</p>
<p>Architecture</p> <ol style="list-style-type: none"> 1. Use of single-family residential design elements (e.g., pitched roofs, porches, individual entries) are recommended to reduce perceived density, give identity to the development and its individual dwelling units, add visual interest, and be compatible with the neighborhood context. 2. Roof pitches and materials should appear residential in character and should consider the prevailing roof types in the neighborhood. 3. The development’s dwelling units, community facilities, and parking structures should be unified by a consistent use of building materials, textures, and colors. Exterior columns or supports for site elements, such as trellises and porches, should utilize materials and colors that are compatible with the rest of the development. 4. Building materials should be durable, require low maintenance, and be of comparable or better quality and image to what is used in the surrounding neighborhood. Frequent changes in building materials should be avoided. 5. Color should be used as an important design element in the development’s appearance. The predominant colors for the dwelling units and accessory structures should be natural or muted tones. Appropriate use of more than one predominant paint color is encouraged. Compatible accent colors are encouraged to enhance important building elements. 6. The color of shadow patterns, relief, decorative trim, and wood frames should be distinctive yet compatible with the overall building color. 7. Materials such as brick, stone, copper, etc. should be left in their natural colors. Such materials should not appear thin and artificial. 	<ol style="list-style-type: none"> 1. The project is designed as single family and duplex units with pitched roofs, porches and individual entries. The units will be visually interesting as they will be painted a variety of colors and are oriented in a variety of different directions. 2. As proposed the roof pitches and materials are residential in character and are consistent with single family residential roof style. Roof shingles will be dark asphalt composite. 3. As proposed the dwelling units, common buildings and covered parking will be constructed with the consistent design features and materials and will provide a consistent look for the facility. Porches and fencing will be compatible with the overall facility. 4. Proposed exterior finish materials would include a blend of vertical board and batten siding, shingled siding and lap siding, which will serve to further create variety between buildings in the development. Windows will be dual glazed with vinyl frames in a taupe or sand color. 5. The proposed color palette would be subdued and varied with each unit including a complementary mix of two to three different colors and the overall project utilizing 10 complementary colors. The color pallet that is proposed is identical to the color pallet for the Cottages at Cypress Street (330 E Cypress Street). See attachment 7 for the proposed color pallet. 6. Staff has included Special Condition 29 to give the Director approval authority for how the proposed colors are painted onto the structures. Commission input regarding the proposed color scheme would be helpful. 7. No brick, stone or copper are proposed for the project.

8. Veneer should turn corners and avoid exposed edges.	8. Veneer is not proposed for the project.
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Special Condition 27. Prior to issuance of the building permit the applicant shall submit a site plan for approval by the Community Development Director which orients both PSH houses along Kemppe avenue to the street. While direct access to the street is not feasible due to the security fencing, the units shall be reoriented so that the front porch faces the street.

Special Condition 28. The play area shall include seating or benches for parents to use while watching their children play.

Special Condition 29. Prior to issuance of the Building Permit that applicant shall submit a paint color plan for the site for review and approval by the Community Development Director.

The project plans do not provide design details or screening for mechanical equipment. Therefore **Special Condition 30** has been added to ensure that these components comply with the CLUDC.

Special Condition 28. Prior to issuance of a Building Permit, the applicant shall submit for the review and approval of the Community Development Director plans for the locations and visual screening of all mechanical equipment proposed to be constructed as part of the project, including but not limited to: standpipes, backflow preventers, generators and propane fuel tanks.

ENVIRONMENTAL DETERMINATION

Staff has performed a review of the project under the guidelines of the California Environmental Quality Act (CEQA) and determined the project to be exempt from CEQA review under section 15192 & 15193 – Affordable Housing Development. Both Sections are cited below with an analysis of the project’s compliance with the threshold criteria for the exemption.

15192. THRESHOLD REQUIREMENTS FOR EXEMPTIONS FOR AGRICULTURAL HOUSING, AFFORDABLE HOUSING, AND RESIDENTIAL INFILL PROJECTS

In order to qualify for an exemption set forth in sections 15193, 15194 or 15195, a housing project must meet all of the threshold criteria set forth below.

<p>(a) The project must be consistent with:</p> <p>(1) Any applicable general plan, specific plan, or local coastal program, including any mitigation measures required by such plan or program, as that plan or program existed on the date that the application for the project pursuant to Section 65943 of the Government Code was deemed complete; and</p> <p>(2) Any applicable zoning ordinance, as that zoning ordinance existed on the date that the application for the project pursuant to Section 65943 of the Government Code was deemed complete, unless the zoning of project property is inconsistent with the general plan because the project property has not been rezoned to conform to the general plan.</p>	<p>This threshold criteria has been met.</p> <p>As analyzed in this staff report and with the implementation of the recommended special conditions the project is consistent with the General Plan and the Local Coastal Program.</p> <p>As condition, and as analyzed in this staff report the project is consistent with the CLUDC.</p>
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<p>(b) Community-level environmental review has been adopted or certified.</p>	<p>This threshold criteria has been met. The Coastal Commission's adoption of the Certified Local Coastal Program is the Coastal Act equivalent of a community level environmental review.</p>
<p>(c) The project and other projects approved prior to the approval of the project can be adequately served by existing utilities, and the project applicant has paid, or has committed to pay, all applicable in-lieu or development fees.</p>	<p>This threshold criteria has been met. As conditioned the project can be adequately served by existing facilities and a special condition requires the payment of all development fees.</p>
<p>(d) The site of the project:</p> <p>(1) Does not contain wetlands, as defined in Section 328.3 of Title 33 of the Code of Federal Regulations.</p> <p>(2) Does not have any value as an ecological community upon which wild animals, birds, plants, fish, amphibians, and invertebrates depend for their conservation and protection.</p> <p>(3) Does not harm any species protected by the federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.) or by the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code.</p> <p>(4) Does not cause the destruction or removal of any species protected by a local ordinance in effect at the time the application for the project was deemed complete.</p>	<p>This threshold criteria has been met. As noted in this report and illustrated in the attachments this project site does not contain wetlands, nor would it have any impacts on special status species or species of concern.</p> <p>The site is covered in invasive plant communities which do not constitute and ecological community.</p>
<p>(e) The site of the project is not included on any list of facilities and sites compiled pursuant to Section 65962.5 of the Government Code.</p> <p>(f) The site of the project is subject to a preliminary endangerment assessment prepared by a registered environmental assessor to determine the existence of any release of a hazardous substance on the site and to determine the potential for exposure of future occupants to significant health hazards from any nearby property or activity. In addition, the following steps have been taken in response to the results of this assessment:</p> <p>(1) If a release of a hazardous substance is found to exist on the site, the release shall be removed, or any significant effects of the release shall be mitigated to a level of insignificance in compliance with state and federal requirements.</p>	<p>The project meets this threshold criteria.</p> <p>The site is not listed on DTSC's compilation of hazardous sites. The site has not been developed and has no history of development which would have resulted in a release of hazardous substances.</p>

(2) If a potential for exposure to significant hazards from surrounding properties or activities is found to exist, the effects of the potential exposure shall be mitigated to a level of insignificance in compliance with state and federal requirements.	
(g) The project does not have a significant effect on historical resources pursuant to Section 21084.1 of the Public Resources Code.	The project meets this threshold criteria. An archaeological study was completed for the site and it found no evidence of historical pre-historic resources.
(h) The project site is not subject to wildland fire hazard, as determined by the Department of Forestry and Fire Protection, unless the applicable general plan or zoning ordinance contains provisions to mitigate the risk of a wildland fire hazard.	The project meets this threshold criteria. The City of Fort Bragg is an urbanized area and is not subject to wildland fire hazard. Additionally, the project site has been reviewed by the Fort Bragg Fire Department, which has approved the project as conditioned.
(i)The project site does not have an unusually high risk of fire or explosion from materials stored or used on nearby properties.	The project meets this threshold criteria. The site is surrounded to the south and west by residential development to the east by the Noyo River and residential development and to the north by the hospital. None of these facilities represent a risk of fire or explosion from stored materials.
(j)The project site does not present a risk of a public health exposure at a level that would exceed the standards established by any state or federal agency.	The project meets this threshold criteria. The project site is mowed field.
(k)Either the project site is not within a delineated earthquake fault zone or a seismic hazard zone, as determined pursuant to Section 2622 and 2696 of the Public Resources Code respectively, or the applicable general plan or zoning ordinance contains provisions to mitigate the risk of an earthquake or seismic hazard.	The project meets this threshold criteria. The general Plan and Building Code contain provisions to minimize and mitigate hazard risk.
(l) Either the project site does not present a landslide hazard, flood plain, flood way, or restriction zone, or the applicable general plan or zoning ordinance contains provisions to mitigate the risk of a landslide or flood.	The project meets this threshold criteria. The project site in not in an area with landslide or flood risk.
(m) The project site is not located on developed open space.	The project meets this threshold criteria. The project site is an undeveloped and is located in a High Density Residential zoning district.
(n) The project site is not located within the boundaries of a state conservancy.	The project meets this threshold criteria. There are no portion of

	Fort Bragg that are located within a state conservancy.
(o) The project has not been divided into smaller projects to qualify for one or more of the exemptions set forth in sections 15193 to 15195.	The project meets this threshold criteria. The project site is being reviewed in its entirety.

15194. AFFORDABLE HOUSING EXEMPTION

CEQA does not apply to any development project that meets the following criteria:

Class 32 Categorical Exemptions Conditions	Project Consistency Analysis
(a) The project meets the threshold criteria set forth in section 15192.	The project site meets this criteria. See above analysis.
(b) The project meets the following size criteria: the project site is not more than five acres in area.	The project site meets this criteria. The project site is just under 5 acres in size.
<p>(c)The project meets both of the following requirements regarding location:</p> <p>(1)The project meets one of the following location requirements relating to population density:</p> <p>(A) The project site is located within an urbanized area or within a census-defined place with a population density of at least 5,000 persons per square mile.</p> <p>(B) If the project consists of 50 or fewer units, the project site is located within an incorporated city with a population density of at least 2,500 persons per square mile and a total population of at least 25,000 persons.</p> <p>(C) The project is located within either an incorporated city or a census defined place with a population density of at least 1,000 persons per square mile and there is no reasonable possibility that the project would have a significant effect on the environment or the residents of the project due to unusual circumstances or due to the related or cumulative impacts of reasonably foreseeable projects in the vicinity of the project.</p> <p>(2)The project meets one of the following site-specific location requirements:</p> <p>(A) The project site has been previously developed for qualified urban uses; or</p> <p>(B) The parcels immediately adjacent to the project site are developed with qualified urban uses.</p> <p>(C) The project site has not been developed for urban uses and all of the following conditions are met:</p> <ol style="list-style-type: none"> 1. No parcel within the site has been created within 10 years prior to the proposed development of the site. 2. At least 75 percent of the perimeter of the site adjoins parcels that are developed with qualified urban uses. 3. The existing remaining 25 percent of the perimeter of the site adjoins parcels that have 	<p>The project site meets this criteria. The project site is located complies with (C) as it is located in the incorporated City of Fort Bragg, which has a population of more than 1,000 persons per square mile. And staff has determined based on the analysis in this staff report that there is no reasonable possibility that the project would have a significant effect on the environment nor will it have cumulatively significant impacts on the environment.</p> <p>The project site meets this criteria per 2(C). The project site is an undeveloped field and it is surrounded by development along 1,865 linear feet of the perimeter of the site, with only 391 linear feet of the site adjacent to an undeveloped area, thus 16% of the perimeter of the site is undeveloped. The undeveloped area to the east of the site adjoins parcels that are currently developed.</p>

previously been developed for qualified urban uses.	
<p>(d) The project meets both of the following requirements regarding provision of affordable housing.</p> <p>(1) The project consists of the construction, conversion, or use of residential housing consisting of 100 or fewer units that are affordable to low-income households.</p> <p>(2) The developer of the project provides sufficient legal commitments to the appropriate local agency to ensure the continued availability and use of the housing units for lower income households for a period of at least 30 years, at monthly housing costs deemed to be “affordable rent” for lower income, very low income, and extremely low income households, as determined pursuant to Section 50053 of the Health and Safety Code.</p>	<p>The project site meets Criteria d(1) as the project consists of fewer than 100 units affordable to low income households.</p> <p>The project site meets Criteria d(2) as the project is conditioned to require 55 years of affordability for all 67 units the “affordable rent” for lower income, very low income, and extremely low income households, shall be as determined pursuant to Section 50053 of the Health and Safety Code.</p>

This CEQA exemption is intended to promote affordable development within urbanized areas. The class consists of environmentally benign in-fill affordable housing projects which are consistent with local general plan and zoning requirements. This class is not intended to be applied to projects which would result in any significant traffic, noise, air quality, or water quality effects. Application of this exemption, as all categorical exemptions, is limited by the factors described in section 15300.2. of CEQA and, these factors have been analyzed in the table below:

Table 7: Project Consistency with 15300.2 Exceptions

15300.2 Exceptions	Analysis of Compliance with Exceptions
(a) Location. Classes 3, 4, 5, 6, and 11 are qualified by consideration of where the project is to be located -- a project that is ordinarily insignificant in its impact on the environment may in a particularly sensitive environment be significant. Therefore, these classes are considered to apply all instances, except where the project may impact on an environmental resource of hazardous or critical concern where designated, precisely mapped, and officially adopted pursuant to law by federal, state, or local agencies	The project is not located in area that has been mapped or designated as a location with an environmental resource of hazardous or critical concern by any federal, state, or local agencies.
(b) Cumulative Impact. All exemptions for these classes are inapplicable when the cumulative impact of successive projects of the same type in the same place, over time is significant.	There are no other projects in the area which would have a cumulatively significant impact with the proposed project.
(c) Significant Effect. A categorical exemption shall not be used for an activity where there is a reasonable possibility that the activity will have a significant effect on the environment due to unusual circumstances.	As analyzed throughout this staff report the proposed project will not have a significant effect on the environment.
(d) Scenic Highways. A categorical exemption shall not be used for a project which may result in damage to scenic resources, including but not limited to, trees, historic buildings, rock outcroppings, or similar	The project is not located adjacent to or within the view shed of a scenic highway.

resources, within a highway officially designated as a state scenic highway.	
(e) Hazardous Waste Sites. A categorical exemption shall not be used for a project located on a site which is included on any list compiled pursuant to Section 65962.5 of the Government Code.	No phase I report was required because the site has no known previous use that would result in contamination. The site is not listed on any DTSC or RWQCB list of facilities or sites requiring remediation or in violation of a cleanup order. The site does not have any known contamination.
(f) Historical Resources. A categorical exemption shall not be used for a project which may cause a substantial adverse change in the significance of a historical resource.	As noted earlier in this staff report, an archaeological survey was completed for this site and no archaeological or historic resources were discovered or identified by the survey. The project will not have any impact on a historical or archaeological resource.

COASTAL DEVELOPMENT PERMIT FINDINGS

In order to act on the Coastal Development Permit the Planning Commission must make the following Coastal Development Permit Findings:

1. *The proposed development as described in the application and accompanying materials, as modified by any conditions of approval, is in conformity with the City of Fort Bragg's certified Local Coastal Program and will not adversely affect coastal resources;*

As noted in the staff report above, as conditioned, the proposed project would be in conformity with Fort Bragg's Certified LCP. Additionally, as noted above there are no coastal resources on the site that would be impacted by the proposed development.

2. *The project is in conformity with the public access and recreation policies of Chapter 3 of the Coastal Act of 1976 (commencing with Sections 30210 of the Public Resources Code);*

The proposed project does not interfere with the public's access to the Coast. Additionally this project site does not lie between a public access way (street or trail) and the coast, as such it cannot provide public access to the coast.

3. *Feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the development on the environment;*

The project includes a verity of special conditions which will lessen and adverse stormwater impacts of the project. There were no other identified, potential adverse, project impacts on the environment.

4. *The proposed use is consistent with the purposes of the zone in which the site is located;*

Multifamily residential is a permitted use in the zoning district.

5. *The proposed development is in conformance with the City of Fort Bragg's Coastal General Plan;*

As detailed in the staff report and conditioned above the proposed project is in conformance with the Coastal General Plan.

6. *The proposed location of the use and conditions under which it may be operated or maintained will not be detrimental to the public health, safety, or welfare, or materially injurious to properties or improvements in the vicinity;*

As detailed in this staff report and as proposed and conditioned, the proposed residential uses will not be detrimental to the public health, safety, or welfare, or materially injurious to properties or improvements in the vicinity. Specifically the application proposal includes a fence and security around the PSH units. The Fire Department has asked for two special conditions requiring panic gates and an on-site manager for fire safety, both of these requests have been included as Special Conditions.

7. *Services, including but not limited to, water supply, sewage disposal, solid waste, and public roadway capacity have been considered and are adequate to serve the proposed development;*
As detailed in this staff report and as proposed and conditioned, the proposed project will be adequately served by water supply, sewage disposal, solid waste, and public roadway capacity.
8. *The project, as proposed, will neither be subject to nor increase instability of the site or structural integrity from geologic, flood, or fire hazards due to project design, location on the site, or other reasons;*
9. *The project, as conditioned, will not have significant adverse impacts on site stability or structural integrity from geologic, flood, or fire hazards due to required project modifications, landscaping, or other conditions;*
10. *There are no alternatives to development that would avoid or substantially lessen impacts on site stability or structural integrity;*

As detailed in this staff report and as proposed and conditioned, the proposed project will neither be subject to nor have adverse impacts of hazards as listed above. As the project will not have any impacts on site stability nor will the site have impacts on structural integrity, there are no alternatives that would lessen this effect.

11. *The resource as identified will not be significantly degraded by the proposed development;*
12. *There is no feasible less environmentally damaging alternative; and*
13. *All feasible mitigation measures capable of reducing or eliminating project related impacts have been adopted.*

As detailed in this staff report and as proposed and conditioned, the proposed project will not have significant impacts on the environment, as such there is no less environmentally damaging alternative. Feasible mitigation measure have been included to eliminate project related impacts to botanical; and cultural resources.

DESIGN REVIEW FINDINGS

In order to act on the Design Permit the Planning Commission must make the following Design Permit Findings:

1. *The project complies with the purpose and requirements of CLUDC Section 17.71.050 Design Review;*

The applicant has submitted for a design review permit in compliance with section 17.71.050. Story poles were not required because the site does not include views to the ocean or the Noyo River.

2. *The project provides architectural design, building massing, and scale appropriate to and compatible with the site surroundings and the community;*

The project site is located within an area of large institutional and multi-family developments. As such the proposed development has less massing and is smaller in scale than surrounding buildings. It is compatible with the site surrounding and the community.

3. *The project provides attractive and desirable site layout and design, including building arrangement, exterior appearance and setbacks, drainage, fences and walls, grading, landscaping, lighting, signs, etc.;*

As detailed and conditioned in this report, the project provides attractive and desirable site layout and design

4. *The project provides efficient and safe public access, circulation, and parking;*

As detailed and conditioned in this report, the project provides safe and efficient circulation and parking.

5. *The project provides appropriate open space and landscaping, including the use of water efficient landscaping;*

As detailed and conditioned in this report, the project would provide appropriate open space, landscaping and water efficient landscaping.

6. *The project is consistent with the Coastal General Plan, any applicable specific plan, and the certified Local Coastal Program; and*

As detailed and conditioned in this report, the project would comply with the Coastal GP and the CLUDC.

7. The project complies and is consistent with the City's Design Guidelines.

As detailed and conditioned in this report, the project would comply with the City's Design Guidelines.

PLANNING COMMISSION ACTION

1. Hold a hearing on the *Coastal Development Permit and Design Review*, close the hearing, deliberate, and Consider adopting a Resolution of the Fort Bragg City Council Authorizing Two Affordable Housing Incentives and Approving Coastal Development Permit 3-17 and Design Review DR 5-17 For the Danco Project.

ALTERNATIVE ACTION

1. Hold a hearing, close the hearing, deliberate without a decision, and revisit the application at the next scheduled meeting for a decision and the addition of any new findings.
2. Hold the hearing, and continue the hearing to a date certain if there is insufficient time to obtain all input from all interested parties. At the date certain the Council may then deliberate and make a decision.

RECOMMENDATION

Staff recommends adoption of a Resolution of the Fort Bragg City Council Authorizing Two Affordable Housing Incentives and Approving Coastal Development Permit 3-17/19 and Design Review DR 5-17/19 for the Danco Project.

ATTACHMENTS

1. Project Location Map
2. Project Site Plan
3. Project Elevations (Kemppe and South St.)
4. Senior and PSH Cottage Elevations and Floor Plans
5. Duplex Floor Plans
6. Project Colors
7. Project Site & Adjacent City Infrastructure
8. Public Hearing Notice
9. Resolution of the Fort Bragg Planning Commission Authorizing Two Affordable Housing Incentives and Approving Coastal Development Permit 3-17/19 and Design Review DR 5-17/19 for 68 Affordable Housing Units and Associated Infrastructure Located at 441 South Street.
10. Project Site Photos



CITY OF FORT BRAGG

Incorporated August 5, 1889
416 N. Franklin St.
Fort Bragg, CA 95437
Phone: (707) 961-2823
Fax: (707) 961-2802

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the City Council of the City of Fort Bragg will conduct a public hearing at a regular meeting to be held at 6:00 p.m., or as soon thereafter as the matter may be heard, on **October 12, 2021**. Due to state and county health orders and to minimize the spread of COVID-19, City Councilmembers and staff will be participating in the public hearing by video conference. A link to the meeting will be listed on the first page of the agenda.

The City Council will solicit citizen input regarding the following:

Receive Report, Hold Public Hearing, and Consider Adoption of Resolution Approving Coastal Development Permit Amendment 3-17/19/21, Design Review Amendment 5-17/19/21, and Lot Merger 1-21 of APN 018-340-04-00 and APN 018-340-06-00 for the Danco Mixed-Income Senior, Multi-family, and Permanently Supportive Housing Project Located at 441 South Street

The hearing will be opened for public participation. All interested persons are invited to appear at that time to present their comments. The public comment period runs from the date this notice is published and mailed until the date of the hearing to allow sufficient time for submission of comments by mail. Written communications must be directed to the City Clerk, 416 N. Franklin Street, Fort Bragg, CA 95437, or emailed to jlemons@fortbragg.com, and received no later than the meeting date.

The Agenda Item Summary and supporting documents that will be considered by the Councilmembers will be available for review at Fort Bragg City Hall and on the City’s website: <https://city.fortbragg.com/> on or after October 6, 2021. At the conclusion of the public hearing, the City Council will consider a decision on the matter.

Dated: September 24, 2021

June Lemos
June Lemos, CMC
City Clerk

POST/PUBLISH: September 30, 2021

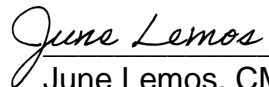
STATE OF CALIFORNIA)
) ss.
COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort and that I caused this Notice to be posted in the City Hall Notice Case on September 30, 2021.

June Lemos

June Lemos, CMC, City Clerk

Declaro, bajo pena de perjurio, que soy empleado de la Ciudad de Fort y que hice que este Aviso se publicara en el Caso de Aviso del Ayuntamiento el 30 de septiembre de 2021.


June Lemos, CMC,
secretaria de la ciudad

RESOLUTION NO. ____-2021

RESOLUTION OF THE FORT BRAGG CITY COUNCIL APPROVING COASTAL DEVELOPMENT PERMIT AMENDMENT 3-17/19/21, DESIGN REVIEW 5-17/19/21, AND LOT MERGER 1-21 FOR LOTS 71 & 72 OF THE DANCO COMMUNITIES SUBDIVISION (APN 018-340-04-00 7 018-340-06-00)

WHEREAS, Danco Communities ("Danco") has a Coastal Development Permit, Design Review to allow for construction of: 1) Twenty-three (23) single-story affordable senior residential cottages ranging from 608 to 756 square feet, a 960 square foot commons building, a pickleball court and 27 parking spaces; and 2) Twenty (20) single-story permanent supportive residential housing units ranging from 608 to 756 square feet, a 2,205 square foot commons building, a basketball court, five (5) parking spaces, and a manager's unit; and 3) Twenty-five (25) two-story, workforce/family townhome units consisting of residential duplexes/triplexes, ranging from 1,000 to 1,200 square feet (2 and 3 bedrooms), a 960 square foot commons building, a playground, a basketball court, and 38 Parking spaces; as well as landscaping, bicycle parking, internal associated driveways, and walkways throughout the development in accordance with the Coastal Land Use and Development Code and the Coastal General Plan;

WHEREAS, the City of Fort Bragg identified a narrow strip parcel adjacent to the subdivision preventing compliance with applicable development standards as approved in Coastal Development Permit (CDP) 3-19 and Design Review (DR) 5-19;

WHEREAS, the City of Fort Bragg requested Danco Communities apply for a lot merger as an amendment to CDP 3-19 and DR 5-19 to combine the two parcels;

WHEREAS, City staff has reviewed the completed application for the proposed lot merger for compliance with the Subdivision Map Act and applicable City Code;

WHEREAS, the project is a minor land transfer between two lots owned by the same entity and does not create any new parcels, qualifying it for an exemption under California Environmental Quality Act (CEQA) Guidelines Section 15305(a) Minor Alterations to Land;

WHEREAS, the Planning Commission of the City of Fort Bragg held a hearing on September 22, 2021 at which time they considered all oral and documentary evidence presented, and found the proposed merger does conform to the Zoning and Subdivision Codes of the City of Fort Bragg;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg hereby finds as follows:

Parcel Merger Findings

1. Will be merged in compliance with Map Act Chapter 3, Article 1.5 or Map Act Sections 66499.20-1/2, or 66499.20-3/4; and

The existing parcel 018-340-06 as currently configured would be considered undevelopable. Parcel 018-340-06 is held by the same owner as 018-340-04. A parcel or unit may be merged with a contiguous parcel or unit held by the same

owner under this circumstance to create a conforming parcel. The merged parcels new legal descriptions conform to the parcel size standards in the General Plan and Zoning Ordinance and the use proposed for the site.

2. Shall also require a Coastal Development Permit in compliance with the certified LCP and processed pursuant to Section 17.71.045 (Coastal Development Permits):

The existing Coastal Development permit (CDP 3-17/19) is being amended to conform to this requirement as part of this Merger.

BE IT FURTHER RESOLVED that the City Council of the City of Fort Bragg, does hereby approve Lot Merger 1-21 as an amendment to Coastal Development Permit 3-17/19 and Design Review 5-17/19.

The above and foregoing Resolution was introduced by Councilmember _____, seconded by Councilmember _____, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 12th day of October, 2021, by the following vote:

**AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSED:**

BERNIE NORVELL
Mayor

ATTEST:

June Lemos, CMC
City Clerk

From: [Jacob Patterson](#)
To: [Munoz, Cristal](#)
Cc: [Lemos, June](#); [Locke Kevin](#)
Subject: Public Comment -- 10/12/21 CC mtg., Item No. 7A, Danco Plateau Project
Date: Thursday, October 7, 2021 10:41:15 AM

City Council,

I am happy to support the staff recommendation for the minor adjustments necessary to facilitate the much-needed Danco Plateau housing project. I suspect this small lot (really just a strip of land) was created when the adjacent apartment complex was developed so it could have been used as a road or alley connecting Kempe Way and South Street when future projects were proposed for the property that is currently being developed by Danco. It turns out that no alley is necessary now that we have project details for the subsequent development so this should be an easy call to support the staff recommendations, particularly since the construction is already under way. I would also like to thank Kevin for providing the necessary supporting analysis to back up this decision. Please approve this clean-up item as recommended.

Regards,

--Jacob



City of Fort Bragg

416 N Franklin Street
Fort Bragg, CA 95437
Phone: (707) 961-2823
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Text File

File Number: 21-538

Agenda Date: 10/12/2021

Version: 1

Status: Public Hearing

In Control: City Council

File Type: Resolution

Agenda Number: 7B.

Receive Report, Conduct Public Hearing and Consider Adoption of City Council and Financing Authority Resolutions Authorizing Series 2021 Lease Revenue Bonds to Pay Off a Portion of the City's Unfunded Accrued Liability with CalPERS and Fund the Site Acquisition at the Southern Portion of the Mill Site



AGENCY: City Council / Financing Authority
MEETING DATE: October 12, 2021
DEPARTMENT: City Manager
PRESENTED BY: T. Miller/Consultants
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report, Conduct Public Hearing and Consider Adoption of City Council and Financing Authority Resolutions Authorizing Series 2021 Lease Revenue Bonds to Pay Off a Portion of the City's Unfunded Accrued Liability with CalPERS and Fund the Site Acquisition at the Southern Portion of the Mill Site

ISSUE:

The City will be raising approximately \$11.0 million in proceeds through the issuance of the Authority's 2021 Lease Revenue Bonds ("2021 Bonds") to fund two critical projects: (1) Restructure a portion of the City's Unfunded Accrued Liability ("UAL") with the California Public Employees Retirement System (CalPERS); and (2) Fund the site acquisition and clean-up/remediation for the southern portion of the Mill Site.

The City intends to restructure about \$7.50 million of its CalPERS UAL to meet several objectives, including to: (1) generate cash flow savings through historically low current bond interest rates relative to the CalPERS discount rate assumption (currently 7%); and (2) create a new repayment shape for the City's pension liabilities that enhances budget predictability, long-term fiscal sustainability and resiliency to future economic shocks or additional UAL added by CalPERS. The proposed refinancing of the UAL is currently estimated to have an all-in cost of financing between 3.25% and 3.50% (vs. 7.0% that CalPERS charges the City on the outstanding UAL) based on current market conditions for a 20-year term (estimated maturity for this component of the financing). It should be noted that this component of the 2021 Bond financing must be undertaken on a federally taxable basis (meaning the investors in the 2021 Bonds must pay income taxes on the interest they will receive) in order to comply with federal tax law requirements on the use of bond proceeds.

In addition to the CalPERS restructuring, approximately \$3.5 million of the bond proceeds are anticipated to be used to fund the site acquisition and clean-up/remediation at the southern portion of the Mill Site to assist with the City's long-term goals for sustainable public serving development. Depending on the timing of this funding, the City could alternatively use the proceeds to fund some other critical capital projects, like the Municipal Broadband Utility Project. This portion of the financing will be amortized over 30 years and will also be issued on a federally taxable basis, to maximize flexibility on the timing and use of proceeds by the City.

The financing is being undertaken as a lease/lease-back financing involving the City and the Authority, with City Hall and the Police Station being used as the leased assets, as discussed in greater detail below.

ANALYSIS:

Since 2020, the City has been exploring various cost management strategies for its \$11.4 million Unfunded Accrued Liability (UAL) with the California Public Employees Retirement System (CalPERS).

Staff and its Municipal Advisor (NHA Advisors) have held multiple workshops (most recently in June and September of 2021) for the City Council related to various cost management strategies, including the pros/cons and risks associated with a UAL restructuring. Given the similar timing and critical nature of both projects, and in order to preserve General Fund cash reserves and budgetary flexibility, it was recommended and supported by the City Council at the September 20, 2021 meeting that the most cost-effective approach to addressing all City objectives and both projects was through one lease/lease-back financing.

After receiving guidance from the City Council, the financing team (NHA Advisors, Jones Hall serving as Bond/Disclosure Counsel and Brandis Tallman a Division of Oppenheimer serving as Underwriter) have finalized the various legal documents, including the preliminary official statement (POS), to be approved on October 12th. All the relevant documents for approval can be found in the Attachments to this Agenda Report.

Additional Background on the City's CalPERS UAL:

Over the last eight years, the City's aggregate UAL for its CalPERS Miscellaneous and Safety Plans has more than doubled, growing from \$5.5 million to about \$11.4 million (6/30/2020 valuation report). In July, it was announced that CalPERS earned 21.3% for FY 2021, and that the discount rate (their assumed earnings rate moving forward, as well as the amount charged to local agencies with respect to their UAL) would likely be reduced to 6.80% or below. The 21.3% gain will significantly reduce the City's UAL while the reduction in discount rate will slightly increase the UAL. Overall, the financing team estimates that the City's new UAL will drop to between \$8.4 million (assumes 6.75% discount rate) and \$9.8 million (assumes 6.50% discount rate), but the precise impact won't be known until later this year and all other assumptions are finalized by CalPERS.

The UAL represents the shortfall/gap between what is actuarially expected to be needed to pay retiree benefits over time compared to the current assets on hand and expected earnings on those assets from City contributions, employee contributions and past CalPERS earnings. The \$11.4 million of UAL debt is reduced over time through payments required by CalPERS. The payments are defined through multiple amortization schedules over 3 to 28 years, and interest is charged to the City at the current rate of 7.0%. Pension cost increases are the largest financial challenge facing most cities throughout the state and are primarily due to factors outside the City's control, including discount rate changes, assumption changes made by CalPERS and investment returns that were below expectations.

Given the significant unfunded nature of the City's pension obligations, the challenge is: how can the City most effectively secure the financial future of the City, its employees, and its

retirees while ensuring the delivery of public services and stewardship of public resources. Numerous cities and towns (Ukiah, Corte Madera, Willows, Lakeport, Auburn, San Anselmo, Santa Ana, Commerce, Buena Park, Sanger, San Fernando, Orange, Manhattan Beach, Huntington Beach, Corona, Chula Vista, El Cajon, Riverside, Marysville, Pacifica, West Covina, El Monte, Ontario, Carson, Inglewood, Montebello, Pasadena, Glendora, Larkspur, Monrovia, Hawthorne, Pomona, La Verne and several others) throughout California have recently refinanced their UAL to take advantage of historically low interest rates and restructure the payment pattern and increase the funding of their pension plans. Interest rates set on these recent financings have ranged from about 2.50% to 4.30%, with rates dictated by market conditions at the time of pricing, credit rating of the issuer, and length of term of the bonds.

The proposed Bonds can be an effective tool to achieve several objectives:

- **Maintain Service Levels:** Reduce chance of service reductions, public safety layoffs, deferred maintenance.
- **Achieve Fiscal Stability:** Change the payment pattern (e.g., a smooth pattern for bond repayment, vs an increasing and uneven pattern with no bonds). Smoother payment patterns make budgeting easier.
- **Realize Savings:** Obtain higher expected investment returns on investments at retirement system (e.g., 6.50-7.00%) than borrowing cost (e.g., ~3.25-3.50%).
- **Create Capacity to Afford Payments on Mill Site Project:** By restructuring the UAL and creating budgetary savings, the payments associated with the \$3.5 million Mill Site project can be optimally layered in with little to no impact on the City’s near and mid-term budget.
- **Increase the pension plan’s level of funding:** from 65% to between 90-100%.

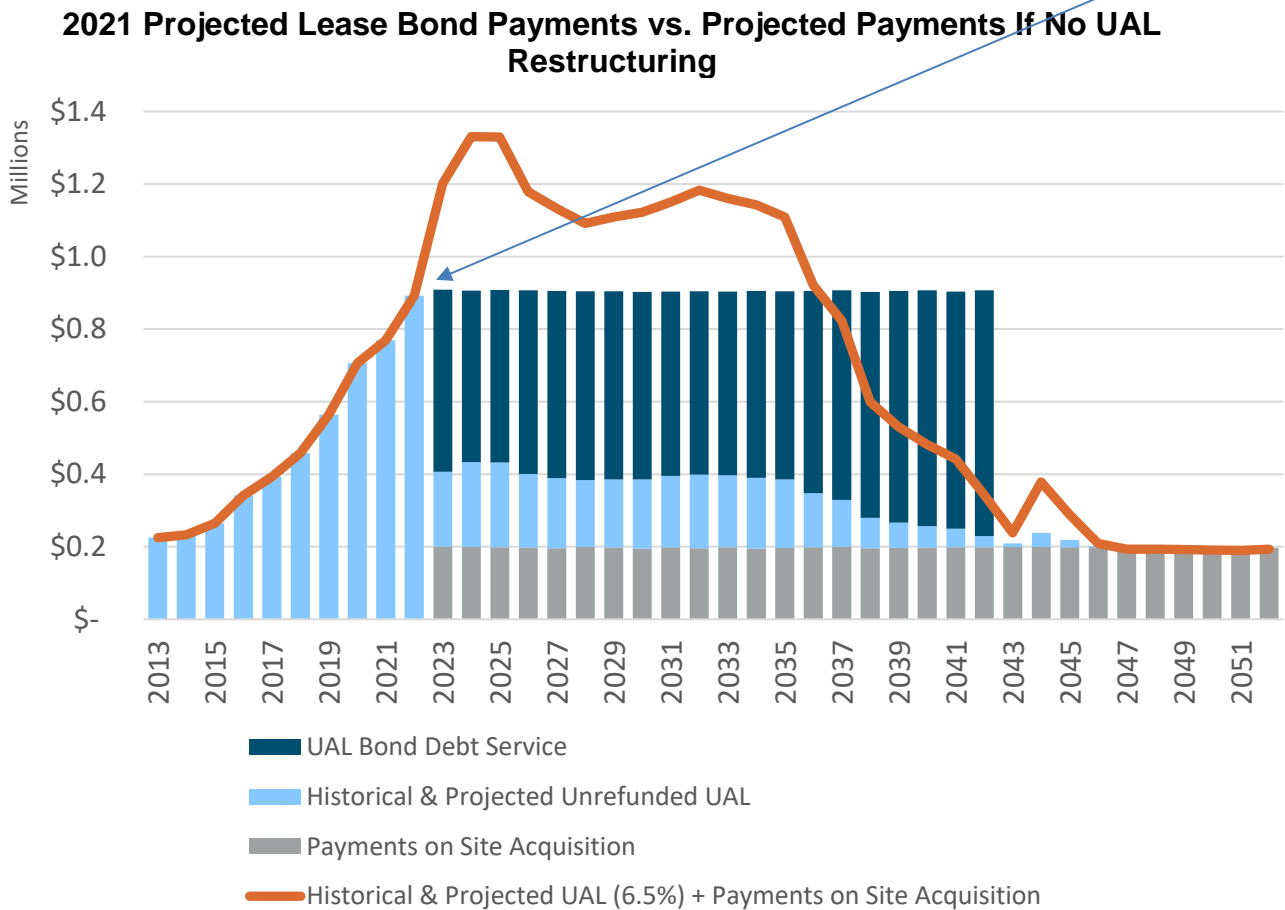
Based on the estimated value (\$11.4 million) of the leased assets (City Hall and Police Station), it is estimated that the City can apply about \$7.50 million of bond proceeds towards its CalPERS UAL. While that amount is about 66% of the current \$11.4 million UAL, it is projected to be about 76% (6.50% discount rate) to 89% (6.75% discount rate) of the new UAL after the 21.3% gains are incorporated. Eliminating approximately \$7.50 million of the City’s UAL is estimated to bring the City’s funding ratios up to over 95% for its pension plans.

Leased Assets Est. Value	City Hall + Police Station 11,370,000
Less: Site Acquisition	(3,500,000)
Less: Est. Financing Costs	(370,000)
Available for UAL	7,500,000
UAL if 6.75% DR	8,450,000
% of UAL Funded	89%
New Funded Ratio	98%
UAL if 6.50% DR	9,850,000
% of UAL Funded	76%
New Funded Ratio	95%

The charts below depict how the 2021 Bond payments will be structured, the impact on the City’s budget, and the estimated savings from the UAL restructuring. It should be noted that the analysis provided utilizes the conservative assumption that the CalPERS discount rate gets lowered to 6.50%. A more modest lowering of the discount rate to 6.75% or 6.80%

would only serve to increase the savings estimates and reduce the budgetary impact from lower UAL payments.

As shown in the chart below, the 2021 Bond payments associated with the UAL restructuring are shown in the navy-blue bars (amortized over 20 years), while the 2021 Bond payments associated with the Southern Mill site project are amortized over 30 years (grey bars). The orange line represents the projected overall payments if the City were to only fund the Southern Mill site project and not restructure the UAL with CalPERS. Through the restructuring, over \$1.7 million of cash flow savings is projected and by amortizing those new payments in a smoother fashion, the payments related to the Southern Mill site can be layered in with no impact to the City’s budget. As shown, the City’s annual combined payments (pension and Southern Mill project) after the financing (starting in FY 2023) are projected to be roughly equal to this current fiscal year’s (FY 2022) pension payments.



Assuming a 6.50% discount rate, the estimated savings from the restructuring are shown in the table at the top of next page. Present Value (PV) savings is estimated at \$1.8 million, or 23.4% of the amount of UAL to be refinanced. Savings through 2035 is estimated at \$3.6 million, or about \$274,000 annually.

Metrics	\$7.5M UAL Restructuring
\$ UAL Payoff	\$7,500,000
% UAL Funded (Current Asset Valuations)	68%
Funded Ratio (Current Asset Valuations)	91%
% UAL Funded (Projected After FY 2021 Returns & 6.5% Discount Rate)	80%
Funded Ratio (Projected After FY 2021 Returns & 6.5% Discount Rate)	96%
Maturity	20 Years
Average Life	12.8 Years
True Interest Cost (on UAL Restructuring)	3.23%
All-In Interest Cost (on UAL Restructuring)	3.52%
Present Value Savings (%)	23.36%
Present Value Savings (\$)	\$1,829,159
Cumulative Savings	\$1,691,848
Savings (2023-2035)	\$3,558,684
Avg. Annual Savings (2023-2035)	\$273,745

Ultimately, actual savings from the restructuring will be a component of two factors: (1) actual interest rates at the time of bond pricing (estimated to be late October 2021) and (2) future CalPERS returns over the lifetime of the bond refinancing, which is an unknown at the time of bond issuance. To the extent that CalPERS earns lower than 6.50% over the next 20 years, the savings will be less than shown above. If higher than 6.50%, then the savings will be higher than estimated. The rule of thumb is that the City will be better off (i.e. the UAL Restructuring produced savings) if CalPERS earns more than the interest rate on the bonds (currently estimated around 3.50%). While past performance does not guarantee future results, CalPERS' historical 30-year returns are 8.4%, 6.9% for the last 20 years on average, 8.5% for last 10 years and 10.3% for the last 5 years.

Public Hearing:

In accordance with California law, the City must hold a public hearing to consider public testimony and make certain findings concerning the possible issuance of Bonds by the Authority to finance certain public capital improvements within the boundaries of the City. Given that the 2021 Bonds may be used to finance improvements at the southern portion of the Mill Site following potential acquisition by the City and/or other capital improvements of the City, the public hearing allows the required findings to be made with respect thereto. The City Clerk has provided notice of the public hearing as required by law.

Summary of the Resolutions:

The subject resolutions authorize and approve the form of all the primary legal documents (the "Financing Documents") necessary to provide for the successful issuance of the Bonds and related lease financing. The adoption of each Resolution is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the issuance of the

Bonds. The accompanying Financing Documents comprise a financing structure that is considered standard for California cities financing long-term projects using General Fund revenues. A brief summary of each of the financing documents follows.

SUMMARY OF FINANCING DOCUMENTS:

The Financing Documents are being presented to the City Council as “form-only documents.” Execution-ready documents are not available at this time because the exact amounts, dates, and other pricing-related information will not be known until the actual sale date for the 2021 Bonds. The subject resolutions authorize and direct the City Manager and other City/Authority staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the 2021 Bonds and delivery of the related lease documents, subject to the not-to-exceed parameters contained in the resolutions. If the final terms for any reason should fall outside of parameters in the resolutions, staff will return for further direction before finalizing the transaction.

The Financing Documents, and a brief description of each, is as follows:

1. Site Lease: Between the City as lessor and the Authority as lessee, under which the City leases the Leased Property (i.e., City Hall and Police Station) to the Authority in consideration of the payment of an upfront amount which will be applied by the City to the projects being financed.
2. Lease Agreement: Between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments to provide revenues with which to pay principal and interest on the 2021 Bonds when due. The lease payments are payable by the City from all legally available funds, and subject to abatement (i.e., reduction or elimination) in the event the City does not have use and occupancy of the Leased Property. To help ensure repayment, the City must procure and maintain throughout the term of the financing, certain minimum insurance. In addition, the City covenants to budget and appropriate the lease payments as they come due each year, again, subject to its maintaining use and occupancy of the Leased Property each year a payment is due. Finally, the City has substitution and/or release rights with respect to the Leased Property, in the event other real property assets are preferred to be leased in the future.
3. Indenture of Trust: Another key legal agreement, the Indenture provides for execution and delivery of the 2021 Bonds in exchange for proceeds in the par amount thereof, and further lays out the covenants and specifics of the 2021 Bonds, as well as the Trustee’s duties, repayment mechanisms, default and remedies provisions, and Bondholder’s associated rights and remedies.
4. Assignment Agreement: This agreement provides the terms and conditions under which the Authority assigns the City’s lease payments to the Trustee, for ultimate payment to the Bondholders.

5. Preliminary Official Statement; Continuing Disclosure Certificate: Disclosure Counsel prepares a preliminary Official Statement with input from the financing team including tables relating to the City's General Fund finances. Following City Council authorization, the preliminary Official Statement will be distributed by the Underwriter and used as the primary marketing document to prospective bond purchasers. A table of contents identifies critical topics such as the plan of finance, security for the bonds, information on the City (management and General Fund finances), the continuing disclosure requirements and the form of opinion of bond counsel. The agenda packet includes a draft of the preliminary Official Statement that the financing team considers to be essentially final. A final Official Statement will be made available shortly after the 2021 Bonds are sold; it will be identical to the preliminary Official Statement except that it will reflect the final bond sale information.

The distribution of the preliminary Official Statement and the final Official Statement is subject to the federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the preliminary Official Statement to include all facts that would be material to an investor. Material information exists where there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell securities. The Securities and Exchange Commission (SEC), the agency with regulatory authority over compliance with the federal securities laws, has indicated that if a member of a legislative body, like the City Council, has knowledge of any facts or circumstances that an investor would want to know prior to investing in securities, like the 2021 Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the preliminary Official Statement. The steps that a member of the Council could take to fulfill this obligation include becoming familiar with the preliminary Official Statement and questioning staff and other members of the financing team about the disclosure of such facts.

The Continuing Disclosure Certificate, which is part of the Preliminary Official Statement, will be executed by the City for the purpose of providing annual financial information and notice of certain enumerated events to holders and beneficial owners of the 2021 Bonds after their sale.

6. Bond Purchase Agreement: An agreement between the City, the Authority and Brandis Tallman a Division of Oppenheimer, as Underwriter, whereby the Underwriter will agree to purchase the 2021 Bonds from the Authority, contingent upon the City and Authority satisfying the obligations imposed within the agreement. The Underwriter agrees to make a bona-fide public offering.

RECOMMENDED ACTION:

Staff recommends that, following the holding of a public hearing, the members of the City Council, sitting as the City Council of the City and the Board of Directors of the City of Fort Bragg Joint Powers Financing Authority (the "Authority"), adopt the attached resolutions.

ALTERNATIVE ACTION(S):

1. Do not adopt the resolutions.
2. Provide alternative direction to staff.

FISCAL IMPACT:

There is no financial impact to the FY 2022 budget. Significant savings are estimated starting in FY 2023 based on the analysis provided above. All costs of issuance will be financed through the 2021 Bond proceeds and have no impact on the City's General Fund.

GREENHOUSE GAS EMISSIONS IMPACT:

There is no impact to greenhouse gas emissions from approving the resolutions or issuing the LRB bonds.

CONSISTENCY:

N/A

IMPLEMENTATION/TIMEFRAMES:

The City recently went through a credit rating presentation with Standard and Poor's (October 7th) and will obtain its first General Fund credit rating within a couple of weeks. Once received, and assuming approval tonight of the subject resolutions, the Preliminary Official Statement will be distributed to potential investors and the Underwriter will begin the marketing process for the 2021 Bonds. It is estimated that interest rates will be locked through the pricing process in late October/early November with a closing in early to mid-November which is when the City will obtain funds for its Southern Mill Site project and for the CalPERS UAL restructuring. The proceeds for CalPERS will be wired to them on the day of closing.

ATTACHMENTS:

1. City Resolution
2. Authority Resolution
3. Site Lease
4. Lease Agreement
5. Indenture of Trust
6. Assignment Agreement
7. Preliminary Official Statement
8. Bond Purchase Agreement
9. Good Faith Estimates
10. Public Hearing Notice

NOTIFICATION:

N/A

RESOLUTION ____-2021

RESOLUTION OF THE FORT BRAGG CITY COUNCIL APPROVING A LEASE FINANCING AND THE ISSUANCE AND SALE OF LEASE REVENUE BONDS BY THE CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY TO REFINANCE SOME OR ALL OF THE CITY'S UNFUNDED ACCRUED ACTUARIAL LIABILITY OWED TO CALPERS AND RAISE FUNDS FOR OTHER PURPOSES, AND APPROVING RELATED DOCUMENTS AND OFFICIAL ACTIONS

RESOLVED, by the City Council (the "Council") of the City of Fort Bragg (the "City"), that:

WHEREAS, the City desires to refinance some or all of the unfunded accrued actuarial liability (UAL) owed by the City to the California Public Employees' Retirement System and to raise funds for other authorized purposes of the City, anticipated to consist of expenditures with respect to the South Mill Site (collectively, the "Project"); and

WHEREAS, the City of Fort Bragg Joint Powers Financing Authority (the "Authority") was formed to, among other things, assist the City with financing public capital improvements and working capital, including the Project; and

WHEREAS, in order to provide financing for the Project, the City has agreed to lease certain real property, consisting of: (a) the City's City Hall located at 416 N. Franklin Street in the City, and (b) the City's Police Department Building located at 250 Cypress Street in the City (together, the "Leased Property"), to the Authority as provided in a Site Lease, as defined herein; and

WHEREAS, in order to fund its payment obligation under the Site Lease, the Authority proposes to issue and sell its 2021 Lease Revenue Bonds (Federally Taxable) (the "Bonds") under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to secure the payments of principal and interest on the Bonds, the Authority proposes to lease the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority will assign substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee for the Bonds; and

WHEREAS, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the marketplace for the Bonds,

the City has requested the Authority to sell the Bonds through a negotiated sale pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") between the Authority, the City and Oppenheimer & Co. Inc., as underwriter (the "Underwriter"); and

WHEREAS, for purposes of the sale of the Bonds, the City has caused to be prepared an Official Statement describing the Bonds, the preliminary form of which is on file with the City Clerk and the Council, with the aid of their staff, have undertaken such review of the Official Statement as hereinafter described as is necessary to assure proper disclosure of all material facts relating to the Bonds that are within the personal knowledge of Council members and the staff; and

WHEREAS, as required by Section 6586.5 of the California Government Code, the City has caused publication of a notice of a public hearing on the financing of the public capital improvements included within the Project once at least five (5) days prior to the hearing in a newspaper of general circulation in the City; and

WHEREAS, the Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing such public capital improvements and refunding of the UAL; and

WHEREAS, in accordance with Government Code Section 5852.1, the following information has been obtained and disclosed in the staff report for the Council action set forth herein: (i) the estimated true interest cost of the Bonds, (ii) the estimated finance charge of the Bonds, (iii) the estimated proceeds of the Bonds expected to be received, net of proceeds for finance charges in (ii) above to be paid from the principal amount of the Bonds, and (iv) the estimated total payment amount of the Bonds; and

WHEREAS, the Council wishes at this time to approve all proceedings of the City relating to the foregoing.

NOW, THEREFORE, IT IS HEREBY ORDERED AND DETERMINED as follows:

Section 1. The Council hereby approves the issuance of the Bonds by the Authority under the Bond Law in a maximum principal amount not to exceed \$11,750,000, for the purpose of financing the Project. The Council hereby finds that issuance of the Bonds by the Authority for the purpose of financing the Project will result in significant public benefits of the type described in Section 6586 of the California Government Code, including, but not limited to, a more efficient delivery of City services to residential and commercial developments within the City and demonstrable savings in effective interest rate, bond preparation, bond underwriting and/or bond issuance costs.

Section 2. The Council hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed

advisable by the Mayor, City Manager or his or her designee (each, an “Authorized Officer”), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Site Lease, between the City as lessor and the Authority as lessee, under which the City leases the Leased Property to the Authority in consideration of the payment of an upfront amount which will be applied by the City to the Project;
- Lease Agreement, between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments to provide revenues with which to pay principal of and interest on the Bonds when due; and
- Continuing Disclosure Certificate, to be executed by the City for the purpose of providing annual financial information and notice of certain enumerated events to holders and beneficial owners of the Bonds.

Section 3. The Council hereby approves the negotiated sale of the Bonds by the Authority to the Underwriter. The Bonds shall be sold pursuant to the terms and provisions of the Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The true interest cost of the Bonds shall not exceed 3.90% and the Underwriter’s discount shall not exceed 0.5575%.

Section 4. The Council hereby approves the preliminary Official Statement describing the Bonds in substantially the form on file with the City Clerk. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement, and to execute an appropriate certificate stating the City’s determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Council hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the City by an Authorized Officer.

Section 5. The firm of NHA Advisors LLC is hereby retained as municipal advisor to the City in connection with the issuance and sale of the Bonds by the Authority. An

Authorized Officer is authorized to execute an agreement with said firm in a form as approved by an Authorized Officer, as necessary.

Section 6. The firm of Jones Hall, A Professional Law Corporation, is hereby retained as bond counsel and disclosure counsel to the City in connection with the issuance and sale of the Bonds by the Authority. An Authorized Officer is authorized to execute an agreement with said firm in a form as approved by an Authorized Officer, as necessary.

Section 7. The Authorized Officers, the City Attorney, the City Clerk and all other officers of the City are each authorized and directed on behalf of the City to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property (including by adding thereto) as necessary in order to accomplish the purposes of this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 8. This Resolution shall take effect immediately upon its passage and adoption.

* * * * *

The above and foregoing Resolution was introduced by Councilmember _____, seconded by Councilmember _____, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 12th day of October, 2021, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:
- RECUSED:

BERNIE NORVELL
Mayor

ATTEST:

June Lemos, CMC
City Clerk

RESOLUTION NO. JPFA __-2021

**RESOLUTION OF THE JOINT POWERS FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE AND SALE OF 2021 LEASE REVENUE
BONDS TO REFINANCE SOME OR ALL OF THE CITY'S UNFUNDED
ACCRUED ACTUARIAL LIABILITY OWED TO CALPERS AND RAISE
FUNDS FOR OTHER PURPOSES, AND APPROVING RELATED
DOCUMENTS AND OFFICIAL ACTIONS**

RESOLVED, by the Board of Directors (the "Board") of the City of Fort Bragg Joint Powers Financing Authority (the "Authority"), that:

WHEREAS, the City of Fort Bragg (the "City") desires to refinance some or all of the unfunded accrued actuarial liability (UAL) owed by the City to the California Public Employees' Retirement System and to raise funds for other authorized purposes of the City, anticipated to consist of expenditures with respect to the South Mill Site (collectively, the "Project"); and

WHEREAS, the Authority was formed to, among other things, assist the City with financing public capital improvements and working capital, including the Project; and

WHEREAS, in order to provide financing for the Project, the City has agreed to lease certain real property, consisting of: (a) the City's City Hall located at 416 N. Franklin Street in the City, and (b) the City's Police Department Building located at 250 Cypress Street in the City (together, the "Leased Property"), to the Authority as provided in a Site Lease, as defined herein; and

WHEREAS, in order to fund its payment obligation under the Site Lease, the Authority proposes to issue and sell its 2021 Lease Revenue Bonds (Federally Taxable) (the "Bonds") under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"); and

WHEREAS, in order to secure the payments of principal of and interest on the Bonds, the Authority proposes to lease the Leased Property back to the City under a Lease Agreement (the "Lease Agreement"), under which the City is obligated to pay semiannual lease payments as rental for the Leased Property, and the Authority will assign substantially all of its rights under the Lease Agreement to U.S. Bank National Association, as trustee for the Bonds; and

WHEREAS, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the marketplace for the Bonds, the City has requested the Authority to sell the Bonds through a negotiated sale pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement")

between the Authority, the City and Oppenheimer & Co. Inc., as underwriter (the "Underwriter"); and

WHEREAS, for purposes of the sale of the Bonds, the City has caused to be prepared an Official Statement describing the Bonds, the preliminary form of which is on file with the Secretary and the Board of Directors, with the aid of their staff, have undertaken such review of the Official Statement as hereinafter described as is necessary to assure proper disclosure of all material facts relating to the Bonds that are within the personal knowledge of members of the Board of Directors and the staff; and

WHEREAS, as required by Section 6586.5 of the California Government Code, the City has caused publication of a notice of a public hearing on the financing of the public capital improvements included within the Project once at least five (5) days prior to the hearing in a newspaper of general circulation in the City; and

WHEREAS, the City Council of the City held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing such public capital improvements and refunding of the UAL; and

WHEREAS, in accordance with Government Code Section 5852.1, the following information has been obtained and disclosed in the staff report for the Board action related to that set forth herein: (i) the estimated true interest cost of the Bonds, (ii) the estimated finance charge of the Bonds, (iii) the estimated proceeds of the Bonds expected to be received, net of proceeds for finance charges in (ii) above to be paid from the principal amount of the Bonds, and (iv) the estimated total payment amount of the Bonds; and

WHEREAS, the Board wishes at this time to approve all proceedings of the Authority relating to the foregoing.

NOW, THEREFORE, IT IS HEREBY ORDERED AND DETERMINED as follows:

Section 1. The Board hereby finds, determines and establishes that regular meetings of the Board shall be held on the same dates and at the same time and location as the City Council meetings of the City, or such other date, time and/or location as notified to the public in accordance with the Ralph M. Brown Act (Government Code Section 54950, et seq.), with the first such regular meeting being held on the date hereof. Notwithstanding the foregoing, regular meetings need not be held and shall be deemed automatically canceled should the President determine that no business is required to be conducted by the Board at such meeting and therefore no items of the Authority appear on an agenda otherwise notified to the public in accordance with the Ralph M. Brown Act.

Section 2. The Board of Directors hereby authorizes the issuance of the Bonds under the Bond Law in a maximum principal amount not to exceed \$11,750,000,

for the purpose of financing the Project. The Bonds shall be issued under the Bond Law and the Indenture of Trust that is approved below.

Section 3. The Board hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the President, Executive Director or his or her designee (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. Such changes or additions may include, but are not limited to, providing that payment of the Bonds be insured by a financial guaranty policy from a bond insurance company and/or secured by a reserve surety policy, if in the judgment of an Authorized Officer such insurance and/or reserve surety policy is in the best interest of the Authority. An Authorized Officer is hereby authorized and directed for and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Indenture of Trust, between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), setting forth the terms and provisions relating to the Bonds;
- Site Lease, between the City as lessor and the Authority as lessee, under which the City leases the Leased Property to the Authority in consideration of the payment of an upfront amount which will be applied by the City to the Project;
- Lease Agreement, between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments to provide revenues with which to pay principal of and interest on the Bonds when due; and
- Assignment Agreement, between the Authority and the Trustee, whereby the Authority assigns certain of its rights under the Lease Agreement to the Trustee for the benefit of the Bond owners.

Section 4. The Board of Directors hereby authorizes and directs the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold pursuant to the terms and provisions of the Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The true interest cost of the Bonds shall not exceed 3.90% and the Underwriter's discount shall not exceed 0.5575%.

Section 5. The Board of Directors hereby approves the preliminary Official Statement describing the Bonds in substantially the form on file with the Secretary. An Authorized Officer is hereby authorized and directed to approve any changes in or

additions to said preliminary Official Statement and, if requested by the Underwriter, to execute an appropriate certificate stating the Authority's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement by the Underwriter is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the Underwriter. The final Official Statement shall be executed on behalf of the Authority by the President or an Authorized Officer.

Section 6. The Authorized Officers, the General Counsel, the Secretary and all other officers of the Authority are each authorized and directed on behalf of the Authority to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. An Authorized Officer may revise the identity of the Leased Property (including by adding thereto) as necessary to accomplish the purposes of this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

Section 7. This Resolution shall take effect immediately upon its passage and adoption.

* * * * *

The above and foregoing Resolution was introduced by Board Member _____, seconded by Board Member _____, and passed and adopted at a regular meeting of the Board of Directors of the City of Fort Bragg Joint Powers Financing Authority held on the 12th day of October, 2021, by the following vote:

**AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSED:**

BERNIE NORVELL
President

ATTEST:

**June Lemos, CMC
Secretary**

RECORDING REQUESTED BY:
City of Fort Bragg

AND WHEN RECORDED RETURN TO:
Jones Hall, A Professional Law Corporation
Attn: James A Wawrzyniak, Jr.
475 Sansome Street, Suite 1700
San Francisco, California 94111

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

SITE LEASE

This SITE LEASE (this "Site Lease"), dated for convenience as of November 1, 2021, is between the CITY OF FORT BRAGG, a municipal corporation duly organized and existing under the laws of the State of California, as lessor (the "City"), and the CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California, as lessee (the "Authority").

BACKGROUND:

1. The City is proceeding to refinance some or all of the unfunded accrued actuarial liability ("UAL") owed by the City to the California Public Employees' Retirement System ("CalPERS") and to raise funds for other purposes (collectively, the "Project").
2. In order to provide funds to finance the Project, the City has agreed to lease the real property more particularly described in Appendix A attached hereto and by this reference incorporated herein, consisting of (a) the City's City Hall located at 416 N Franklin Street in the City and (b) the City's Police Department Building located at 250 Cypress Street in the City (together, the "Leased Property") to the Authority under this Site Lease, pursuant to which the Authority agrees to make an initial rental payment (as described herein, the "Site Lease Payment") which is sufficient to provide funds for such purposes.
3. The Authority has authorized the issuance of its 2021 Lease Revenue Bonds (Federally Taxable) in the aggregate principal amount of \$_____ (the "Bonds") under an Indenture of Trust dated as of November 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with this Site Lease.

4. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of November 1, 2021 (the "Lease"), which has been recorded concurrently herewith, under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

5. The lease payments made by the City under the Lease have been assigned by the Authority to Trustee for the security of the Bonds under an Assignment Agreement dated as of November 1, 2021, between the Authority as assignor and the Trustee as assignee, which has been recorded concurrently herewith.

A G R E E M E N T :

In consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. *Lease of Property to Authority.* The City hereby leases the Leased Property to the Authority and the Authority hereby leases the Leased Property from the City, on the terms and conditions hereinafter set forth.

SECTION 2. *Term; Possession.* The term of this Site Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 13.01 thereof, but under any circumstances not later than June 1, _____. The provisions of this Section 2 are subject in all respects to any other provisions of this Site Lease relating to the termination hereof.

SECTION 3. *Rental.* The Authority shall pay to the City as and for rental of the Leased Property hereunder, the sum of \$_____ (the "Site Lease Payment"). The Site Lease Payment is due and payable upon the issuance of the Bonds and the execution and delivery hereof, and will be paid from the proceeds of the Bonds. The Authority and the City hereby find and determine that the total amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Leased Property which is conveyed hereunder by the City to the Authority. No other amount of rental is due and payable by the Authority for the use and occupancy of the Leased Property under this Site Lease.

As provided in the Indenture, a portion of the proceeds of the Bonds will be applied to make the Site Lease Payment by depositing the full amount thereof into the Project Fund which is held and administered by the City under the Indenture. Amounts on deposit in the Project Fund shall be disbursed by the City from time to time for the purpose of paying Project Costs in accordance with the Indenture.

SECTION 4. *Leaseback to City.* The Authority shall lease the Leased Property back to the City under the Lease.

SECTION 5. *Assignments and Subleases.* Unless the City is in default under the Lease, the Authority may not assign its rights under this Site Lease or sublet all or any portion of the Leased Property, except as provided in the Assignment Agreement and in the Lease, without the prior written consent of the City.

SECTION 6. *Substitution or Release of Property.* If the City exercises its option under Section 3.3 of the Lease to substitute property for the Leased Property in whole or in part, such substitution shall also operate to substitute property for the Leased Property which is leased hereunder. If the City exercises its option under Section 3.4 of the Lease to release a portion of the Leased Property from the Lease, such substitution shall also operate to release such portion of the Leased Property hereunder. The description of the Leased Property which is leased under the Lease shall conform at all times to the description of the Leased Property which is leased hereunder.

SECTION 7. *Right of Entry.* The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property, or any portion thereof, at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

SECTION 8. *Termination.* The Authority agrees, upon the termination of this Site Lease, to quit and surrender the Leased Property in the same good order and condition as the Leased Property was in at the time of commencement of the term hereof, reasonable wear and tear excepted, and agrees that all buildings, improvements and structures then existing upon the Leased Property shall remain thereon and title thereto shall vest thereupon in the City for no additional consideration.

SECTION 9. *Default.* If the Authority defaults in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Lease shall be deemed to occur as a result thereof and no such remedy may include termination hereof; *provided, however,* that so long as the Lease remains in effect, the Lease Payments payable by the City under the Lease shall continue to be paid to the Trustee.

SECTION 10. *Quiet Enjoyment.* The Authority at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property, subject to the provisions of the Lease and subject only to Permitted Encumbrances (as that term is defined in the Lease).

SECTION 11. *Waiver of Personal Liability.* All liabilities under this Site Lease on the part of the Authority are solely corporate liabilities of the Authority as a public entity, and the City hereby releases each and every member and officer of the Authority of and from any personal or individual liability under this Site Lease. No member or officer of the Authority or its governing board shall at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Authority hereunder.

SECTION 12. *Taxes.* The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property and any improvements thereon.

SECTION 13. *Eminent Domain.* If the whole or any part of the Leased Property or any improvements thereon is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is hereby determined to be the amount of the then

- (iii) to conform to any amendment of the Indenture which is made thereto in accordance with Section 9.01 of the Indenture; or
- (iv) for the purpose of effectuating any substitution or release of property under Section 6.

SECTION 17. *Governing Law.* This Site Lease shall be construed in accordance with and governed by the laws of the State of California.

SECTION 18. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary under this Site Lease with all rights of a third party beneficiary.

SECTION 19. *Binding Effect.* This Site Lease inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 20. *Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

SECTION 21. *Execution in Counterparts.* This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may be separately executed by the Authority and the City, all with the same force and effect as though the same counterpart had been executed by both the Authority and the City.

SECTION 22. *Defined Terms.* All capitalized terms used herein and not otherwise defined have the respective meanings given those terms in the Indenture.

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**CITY OF FORT BRAGG JOINT POWERS
FINANCING AUTHORITY**

By: _____
Tabatha Miller
Executive Director

CITY OF FORT BRAGG

By: _____
Tabatha Miller
City Manager

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Fort Bragg, County of Mendocino, State of California, which is more particularly described as follows:

RECORDING REQUESTED BY:
City of Fort Bragg

AND WHEN RECORDED RETURN TO:
Jones Hall, A Professional Law Corporation
Attn: James A Wawrzyniak, Jr.
475 Sansome Street, Suite 1700
San Francisco, California 94111

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

LEASE AGREEMENT

Dated as of November 1, 2021

between the

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY,
as lessor

and the

CITY OF FORT BRAGG,
as lessee

Relating to

\$ _____
City of Fort Bragg Joint Powers Financing Authority
2021 Lease Revenue Bonds
(Federally Taxable)

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APPENDIX A	DESCRIPTION OF THE LEASED PROPERTY
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LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease"), dated for convenience as of November 1, 2021, is between the CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California, as lessor (the "Authority"), and the CITY OF FORT BRAGG, a municipal corporation duly organized and existing under the laws of the State of California, as lessee (the "City").

BACKGROUND:

1. The City is proceeding to refinance some or all of the unfunded accrued actuarial liability ("UAL") owed by the City to the California Public Employees' Retirement System ("CalPERS") and to raise funds for other purposes (collectively, the "Project").

2. In order to provide funds to finance the Project, the City has agreed to lease the real property more particularly described in Appendix A attached hereto and by this reference incorporated herein, consisting of (a) the City's City Hall located at 416 N Franklin Street in the City and (b) the City's Police Department Building located at 250 Cypress Street in the City (together, the "Leased Property") to the Authority under a Site Lease (defined herein), pursuant to which the Authority agrees to make an initial rental payment (as described herein, the "Site Lease Payment") which is sufficient to provide funds for such purposes.

3. The Authority has authorized the issuance of its 2021 Lease Revenue Bonds (Federally Taxable) in the aggregate principal amount of \$_____ (the "Bonds") under an Indenture of Trust dated as of November 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

4. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under this Lease, under which the City agrees to pay semiannual Lease Payments as the rental for the Leased Property hereunder.

5. The lease payments made by the City under this Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of November 1, 2021, between the Authority as assignor and the Trustee as assignee, which has been recorded concurrently herewith.

6. The City and the Authority have found and determined that all acts and proceedings required by law necessary to make this Lease, when executed by the City and the Authority, the valid, binding and legal obligations of the City and the Authority, and to constitute this Lease a valid and binding agreement for the uses and purposes

herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Lease have been in all respects duly authorized.

A G R E E M E N T :

In consideration of the material covenants contained in this Lease, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; RULES OF INTERPRETATION

SECTION 1.1. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Lease have the respective meanings given them in the Indenture.

SECTION 1.2. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular includes the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Lease; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Covenants, Representations and Warranties of the City.* The City makes the following covenants, representations and warranties to the Authority and the Trustee as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under the laws of the State of California to enter into the Site Lease and this Lease and to carry out and consummate all transactions contemplated hereby, and by proper action the City has duly authorized the execution and delivery of the Site Lease and this Lease.
- (b) Due Execution. The representatives of the City executing the Site Lease and this Lease have been fully authorized to execute the same under a resolution duly adopted by the City Council of the City.
- (c) Valid, Binding and Enforceable Obligations. The Site Lease and this Lease have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of the Site Lease and this Lease, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial condition, assets, properties or operations of the City.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Site Lease and this Lease, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.
- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental

authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Site Lease and this Lease, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Site Lease and this Lease or the financial conditions, assets, properties or operations of the City.

SECTION 2.2. *Covenants, Representations and Warranties of the Authority.* The Authority makes the following covenants, representations and warranties to the City and the Trustee as of the date of the execution and delivery of this Lease:

- (a) Due Organization and Existence. The Authority is a public body corporate and politic duly organized and existing under the Bond Law and under the laws of the State of California; has power to enter into this Lease, the Site Lease, the Assignment Agreement and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms.
- (b) Due Execution. The representatives of the Authority executing this Lease, the Site Lease, the Assignment Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Authority.
- (c) Valid, Binding and Enforceable Obligations. This Lease, the Site Lease, the Assignment Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.
- (d) No Conflicts. The execution and delivery of this Lease, the Site Lease, the Assignment Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach,

default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement and the Indenture or the financial condition, assets, properties or operations of the Authority.

- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Lease, the Site Lease, the Assignment Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease, the Site Lease, the Assignment Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS; SUBSTITUTION AND RELEASE OF PROPERTY

SECTION 3.1. *Deposit of Moneys*. On the Closing Date, the Authority will cause the proceeds of sale of the Bonds to be deposited with the Trustee. The Trustee shall deposit those proceeds in accordance with Section 3.01 of the Indenture.

SECTION 3.2. *Acquisition and Construction of Project*. As provided in Section 3.02 of the Indenture, a portion of the proceeds of sale of the Bonds will be applied to pay the Site Lease Payment to the City in accordance with Section 3 of the Site Lease. The Site Lease Payment shall be deposited into the Project Fund, which is established under the Indenture, to be disbursed for the purpose of paying Project Costs. Upon the completion of the Project, the City shall file a Written Certificate of the City with the Trustee, which Written Certificate shall identify the amount (if any) to be retained in the Project Fund to pay remaining Project Costs.

SECTION 3.3. *Substitution of Property.* The City has the option at any time and from time to time, to substitute other real property (the "Substitute Property") for the Leased Property or any portion thereof (the "Former Property"), upon satisfaction of all of the following requirements which are hereby declared to be conditions precedent to such substitution:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Mendocino County Recorder, sufficient memorialization of an amendment of this Lease, the Site Lease and the Assignment Agreement, which adds the legal description of the Substitute Property to Appendix A and deletes therefrom the legal description of the Former Property.
- (c) The City has obtained a CLTA policy of title insurance insuring the City's leasehold estate hereunder in the Substitute Property, subject only to Permitted Encumbrances, in an amount at least equal to the estimated value thereof.
- (d) The City has certified in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be important to the proper, efficient and economic operation of the City and to serve a proper governmental function of the City.
- (e) The Substitute Property does not cause the City to violate any of its covenants, representations and warranties made herein.
- (f) The City has filed with the Authority and the Trustee a written certificate of the City or other written evidence stating that the estimated fair rental value of the Leased Property following the substitution will be at least equal to the aggregate principal amount of the Bonds then outstanding, and that the useful life of the Substitute Property at least extends to the stated termination date of this Lease.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this Section. The Authority and the City will execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Former Property and to cause the Substitute Property to become subject to all of the terms and conditions of the Site Lease, this Lease and the Assignment Agreement.

SECTION 3.4. *Release of Property.* The City has the option at any time and from time to time to release any portion of the Leased Property from this Lease (the

“Released Property”) provided that the City has satisfied all of the following requirements which are hereby declared to be conditions precedent to such release:

- (a) No Event of Default has occurred and is continuing.
- (b) The City has filed with the Authority and the Trustee, and caused to be recorded in the office of the Mendocino County Recorder, sufficient memorialization of an amendment of this Lease, the Site Lease and the Assignment Agreement, which removes the Released Property therefrom.
- (c) The City has certified in writing to the Authority and the Trustee that the value of the property which remains subject to this Lease following such release is at least equal to the then outstanding principal amount of the Bonds, and the fair rental value of the property which remains subject to this Lease following such release is at least equal to the Lease Payments thereafter coming due and payable hereunder.

Upon the satisfaction of all such conditions precedent, the Term of this Lease will thereupon end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release. The Authority and the City shall execute, deliver and cause to be recorded all documents required to discharge the Site Lease, this Lease and the Assignment Agreement of record against the Released Property.

ARTICLE IV

LEASE OF LEASED PROPERTY; TERM OF THIS LEASE; LEASE PAYMENTS

SECTION 4.1. *Lease of Leased Property.* The Authority hereby leases the Leased Property to the City and the City hereby leases the Leased Property from the Authority, upon the terms and conditions set forth in this Lease.

SECTION 4.2. *Term.* The Term of this Lease commences on the Closing Date and ends on the date on which the Indenture is discharged in accordance with Section 10.01 thereof, but under any circumstances not later than June 1, _____. The provisions of this Section are subject to the provisions of Section 6.2 relating to abatement and the taking in eminent domain of the Leased Property in whole or in part.

SECTION 4.3. *Lease Payments.*

(a) Obligation to Pay. Subject to the provisions of Sections 6.2 and 6.3 and the provisions of Article IX, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in Appendix B attached to this Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in Appendix B, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in Appendix B. Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in

whole under Article IX, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder. The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee. The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

(b) Effect of Prepayment. If the City prepays all Lease Payments in full under Section 9.2, the City's obligations under this Section will thereupon cease and terminate. If the City prepays the Lease Payments in part but not in whole under Section 9.2, the principal components of the remaining Lease Payments will be reduced in integral multiples of \$5,000 among Lease Payment Dates on a basis which corresponds to the principal maturities of the Bonds which are redeemed thereby; and the interest component of each remaining Lease Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under Section 4.01 of the Indenture.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

(d) Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under this Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

(e) Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, under the Assignment Agreement, for the benefit of the Owners of the Bonds, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees to pay to the Trustee at its Office, all payments payable by the City under this Section and all amounts payable by the City under Article IX.

SECTION 4.4. *Source of Payments; Covenant to Budget and Appropriate.* The Lease Payments are payable from any source of available funds of the City, subject to the provisions of Section 6.3. The City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of this Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. The foregoing covenant of the City contained constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in

the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in this Lease agreed to be carried out and performed by the City.

SECTION 4.5. *Additional Rental Payments.* In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority hereunder:

- (a) All fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) All reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;
- (c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Lease or the Indenture;
- (d) Amounts coming due and payable as Excess Investment Earnings in accordance with Section 7.6(e); and
- (e) The reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of this Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving this Lease, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of this Lease.

SECTION 4.6. *Quiet Enjoyment.* Throughout the Term of this Lease, the Authority shall provide the City with quiet use and enjoyment of the Leased Property and the City will peaceably and quietly have and hold and enjoy the Leased Property, without suit, trouble or hindrance from the Authority, except as expressly set forth in this Lease. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority has the right to inspect the Leased Property as provided in Section 7.2.

SECTION 4.7. *Title.* Upon the termination of this Lease (other than under Section 8.2(b) hereof), all right, title and interest of the Authority in and to the Leased Property transfers to and vests in the City. The Authority shall take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

SECTION 5.1. *Maintenance, Utilities, Taxes and Assessments.* Throughout the Term of this Lease, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property are the responsibility of the City, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Authority agrees to provide only the Leased Property. The City waives the benefits of subsections 1 and 2 of Section 1932, Section 1933(4) and Sections 1941 and 1942 of the California Civil Code, but such waiver does not limit any of the rights of the City under the terms of this Lease.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

The City may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority notifies the City that, in its reasonable opinion, by nonpayment of any such items the interest of the Authority in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

SECTION 5.2. *Modification of Leased Property.* The City has the right, at its own expense, to make additions, modifications and improvements to the Leased Property or any portion thereof. All additions, modifications and improvements to the Leased Property will thereafter comprise part of the Leased Property and become subject to the provisions of this Lease. Such additions, modifications and improvements may not in any way damage the Leased Property, or cause the Leased Property to be used for purposes other than those authorized under the provisions of state and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto under this Section, must be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City under this Section; except that if any such lien is established and the City first notifies or causes to be notified the Authority of the City's

intention to do so, the City may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

SECTION 5.3. *Liability and Property Damage Insurance.* The City shall maintain or cause to be maintained throughout the Term of this Lease, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.7, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

SECTION 5.4. *Casualty Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds. Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in Section 6.1.

SECTION 5.5. *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such

insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as the same become due and payable.

SECTION 5.6. *Recordation Hereof; Title Insurance.* On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and this Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Mendocino County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments under Section 9.4.

SECTION 5.7. *Insurance Net Proceeds; Form of Policies.* Each policy of insurance maintained under Sections 5.4, 5.5 and 5.6 must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a certificate of the City stating that all policies of insurance required hereunder are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any insurance maintained under Section 5.3 is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

SECTION 5.8. *Installation of City's Personal Property.* The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of the City, in which neither the Authority nor the Trustee has any interest, and may be modified or removed by the City at any time, provided that the City must repair all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease prevents the City from purchasing or leasing items to be installed under this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, so long as no such lien or security interest attaches to any part of the Leased Property.

SECTION 5.9. *Liens.* The City may not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than as herein contemplated and except for

such encumbrances as the City certifies in writing to the Trustee do not materially and adversely affect the leasehold estate of the City in the Leased Property hereunder. If any such mortgage, pledge, lien, charge, encumbrance or claim does materially and adversely affect the leasehold estate of the City in the Leased Property hereunder, the City will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible; provided that the City is not required to do so prior to the time when such mortgage, pledge, lien, charge, encumbrance or claim actually causes such material adverse effect. The City will reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

SECTION 5.10. *Advances.* If the City fails to perform any of its obligations under this Article V, the Authority may (but is not required to) take such action as it deems necessary to cure such failure, including the advancement of money, and the City shall repay all such advances as Additional Rental Payments hereunder, with interest at the rate set forth in Section 4.3(c).

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

SECTION 6.1. *Application of Net Proceeds.* The Trustee, as assignee of the Authority under the Assignment Agreement, has the right to receive all Net Proceeds. As provided in the Indenture, the Trustee will deposit all Net Proceeds in the Insurance and Condemnation Fund to be applied as set forth in Section 5.07 of the Indenture.

SECTION 6.2. *Termination or Abatement Due to Eminent Domain.*

(a) If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of this Lease thereupon ceases as of the day possession is taken.

(b) If less than all of the Leased Property is taken permanently and the remainder is useable for the City's purposes, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

- (i) this Lease continues in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary, and
- (ii) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

SECTION 6.3. *Abatement Due to Damage or Destruction.* The Lease Payments are subject to abatement during any period in which by reason of damage or destruction

(other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof. The Lease Payments are subject to abatement in an amount determined by the City, such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction.

ARTICLE VII

OTHER COVENANTS OF THE CITY

SECTION 7.1. *Disclaimer of Warranties.* THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE LEASED PROPERTY OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. THE CITY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE CITY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE CITY. The Authority has no liability for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease for the existence, furnishing, functioning or use of the Leased Property by the City.

SECTION 7.2. *Access to the Leased Property.* The City agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, have the right at all reasonable times to enter upon and to examine and inspect the Leased Property or any part thereof. The City further agrees that the Authority, any Board Representative and the Authority's successors or assigns may have such rights of access to the Leased Property or any component thereof as reasonably necessary to cause the proper maintenance of the Leased Property if the City fails to perform its obligations hereunder; *provided, however,* that neither the Authority nor any of its assigns has any obligation to cause such proper maintenance.

SECTION 7.3. *Release and Indemnification Covenants.* The City agrees to indemnify the Authority, the Trustee and their respective officers, agents, successors and assigns, against all claims, losses and damages, including legal fees and expenses, arising out of any of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the City,

- (b) any breach or default on the part of the City in the performance of any of its obligations under this Lease,
- (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property,
- (d) any intentional misconduct or negligence of any sublessee of the City with respect to the Leased Property,
- (e) the acquisition, construction, improvement and equipping of the Leased Property, or the authorization of payment of the costs thereof, or
- (f) the acceptance and performance of the duties of the Trustee under the Indenture and under this Lease.

No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or negligence under this Lease by the Authority, the Trustee or their respective officers, agents, employees, successors or assigns.

SECTION 7.4. *Assignment and Subleasing by the City.* This Lease may not be assigned by the City, other than to an entity which succeeds to the interests of the City as a municipal corporation. The City may sublease the Leased Property, or any portion thereof, subject to all of the following conditions:

- (a) This Lease and the obligation of the City to make Lease Payments hereunder must remain obligations of the City.
- (b) The City must, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease.
- (c) No such sublease by the City may cause the Leased Property to be used for a purpose which is not authorized under the provisions of the laws of the State of California.
- (d) The City must furnish to the Authority and the Trustee a written opinion of Bond Counsel stating that such sublease does not cause the interest components of the Lease Payments to become included in gross income for purposes of federal income taxation or to become subject to personal income taxation by the State of California.

SECTION 7.5. *Amendment Hereof.* The Authority and the City may at any time amend or modify any of the provisions of this Lease, but only: (a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds; or (b) without the consent of the Trustee or any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City contained in this Lease, other covenants and agreements thereafter to be observed, or to limit or

surrender any rights or power herein reserved to or conferred upon the City;

- (ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, to conform to the original intention of the City and the Authority;
- (iii) to modify, amend or supplement this Lease in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code;
- (iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of property under Sections 3.3 or 3.4;
- (v) to obligate the City to pay additional amounts of rental for the use and occupancy of the Leased Property, but only if (A) such additional rent payments are pledged or assigned for the payment of any bonds, notes or other obligations the proceeds of which are applied to finance or refinance the acquisition or construction of any real or personal property for which the City is authorized to expend funds subject to its control, (B) the City has filed with the Trustee a written certificate stating that the estimated value of the Leased Property is, or following the completion of the acquisition and construction of any improvements to be financed from the proceeds of such bonds, notes or other obligations will be, at least equal to the aggregate original principal amount of the Bonds and all such other bonds, notes or other obligations, and (C) the City has filed with the Trustee written evidence that the amendments made under this clause (v) will not of themselves cause a reduction or withdrawal of any rating then assigned to the Bonds;
- (vi) in any respect whatsoever as the Authority and the City deem necessary or desirable to facilitate the issuance of Additional Bonds as permitted under the Indenture; or
- (vii) in any other respect whatsoever as the Authority and the City deem necessary or desirable, if in the opinion of Bond Counsel such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds.

No such modification or amendment may (a) extend or have the effect of extending any Lease Payment Date or reducing any Lease Payment or any premium payable upon the prepayment thereof, without the express consent of the Owners of the affected Bonds, or (b) modify any of the rights or obligations of the Trustee without its written assent thereto.

SECTION 7.6. *[Reserved]*.

SECTION 7.7. *Continuing Disclosure.* The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in

accordance with its terms. Notwithstanding any other provision of this Lease, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. *Events of Default Defined.* Any one or more of the following events constitute an Event of Default hereunder:

- (a) Failure by the City to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding subsection (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Trustee. If in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30 day period, the failure will not constitute an Event of Default if the City commences to cure the failure within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

SECTION 8.2. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Authority may exercise any and all remedies available under law or granted under this Lease. Notwithstanding anything herein or in the Indenture to the contrary, neither the Authority nor the Trustee may accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each covenant hereof to be kept and performed by the City is expressly made a condition and upon the breach thereof the Authority may exercise any and all rights granted hereunder; except that no termination of this Lease may be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. Upon the occurrence and during the continuance

of any Event of Default, the Authority may exercise each and every one of the following remedies, subject in all respects to the limitations set forth in Section 8.3.

- (a) Enforcement of Payments Without Termination. If the Authority does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, if the Authority is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Leased Property upon the occurrence and continuation of an Event of Default and to remove all personal property whatsoever situated upon the Leased Property, to place the Leased Property in storage or other suitable place in the County of Mendocino for the account of and at the expense of the City, and the City hereby exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of the Leased Property by the Authority or its duly authorized agents in accordance with the provisions herein contained. The City agrees that the terms of this Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Lease shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The City agrees to surrender and quit possession of the Leased Property upon demand of the Authority for the purpose of enabling the Leased Property to be re-let under this paragraph, and the City further waives the right to any rental obtained by the Authority in excess of the Lease Payments and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.
- (b) Termination of Lease. If an Event of Default occurs and is continuing hereunder, the Authority at its option may terminate this Lease and re-lease all or any portion of the Leased Property. If the Authority terminates this Lease at its option and in the manner hereinafter provided on account of default by the City (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the

Leased Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments and Additional Rental Payments. Any surplus received by the Authority from such re-leasing shall be deposited in the Bond Fund. Neither notice to pay rent or to deliver up possession of the premises given under law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Lease. The City covenants and agrees that no surrender of the Leased Property, or of the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

- (c) Proceedings at Law or In Equity. If an Event of Default occurs and continues hereunder, the Authority may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

SECTION 8.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy is cumulative and in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it is not necessary to give any notice, other than as expressly required in this Article VIII or by law.

SECTION 8.4. *Agreement to Pay Attorneys' Fees and Expenses.* If the Authority or the City defaults under any of the provisions of this Lease and the nondefaulting party employs attorneys or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

SECTION 8.5. *No Additional Waiver Implied by One Waiver.* If the Authority or the City breaches any agreement in this Lease and thereafter the other party waives the breach, such waiver is limited to the particular Breach so waived and does not operate to waive any other breach hereunder.

SECTION 8.6. *Application of Proceeds.* All net proceeds received from the re-lease of the Leased Property under this Article VIII, and all other amounts derived by the Authority or the Trustee as a result of the occurrence of an Event of Default, must be paid to and applied by the Trustee in accordance with Section 7.03 of the Indenture.

SECTION 8.7. *Trustee and Bond Owners to Exercise Rights.* Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Assignment Agreement for the benefit of the Bond Owners, to which assignment the City hereby consents. The Trustee and the Bond Owners shall exercise such rights and remedies in accordance with the Indenture.

ARTICLE IX

PREPAYMENT OF LEASE PAYMENTS

SECTION 9.1. *Security Deposit.* Notwithstanding any other provision of this Lease, the City may on any date secure the payment of the Lease Payments allocable to the Leased Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts on deposit in the funds and accounts established under the Indenture, is either:

- (a) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Appendix B, or
- (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under Section 4.3(a), as the City instructs at the time of said deposit.

If the City makes a security deposit under this Section with respect to all unpaid Lease Payments, and notwithstanding the provisions of Section 4.2, (a) the Term of this Lease will continue, (b) all obligations of the City under this Lease, and all security provided by this Lease for said Lease Payments, will thereupon cease and terminate, excepting only the obligation of the City to make, or cause to be made all of said Lease Payments from such security deposit, and (c) under Section 4.7, title to the Leased Property will vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said security deposit constitutes a special fund for the payment of Lease Payments in accordance with the provisions of this Lease.

SECTION 9.2. *Prepayment.* The City has the option to prepay the principal components of the Lease Payments in as described under Section 4.01(a) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund to be applied to the redemption of Bonds under Section 4.01(a) of the Indenture. The City shall give written notice to the Authority and the Trustee of its intention to prepay the Lease Payments under this Section at least 45 days prior to the prepayment date, or such shorter period of time as may be acceptable to the Trustee in its sole discretion, such notice being solely for the convenience of the Trustee. Additionally, this Lease is subject to extraordinary mandatory prepayment as described under Section 4.01(c) of the Indenture.

SECTION 9.3. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The City shall prepay the principal components of the Lease

Payments allocable to the Leased Property in whole or in part on any date, from and to the extent of any Net Proceeds of insurance award or eminent domain award with respect to the Leased Property theretofore deposited in the Redemption Fund for that purpose under Article VI hereof and Section 5.07 of the Indenture. Such Net Proceeds, to the extent remaining after payment of any delinquent Lease Payments, will be credited towards the City's obligations under this Section and applied to the corresponding redemption of Bonds under Section 4.01 of the Indenture on the next available redemption date.

SECTION 9.4. *Credit for Amounts on Deposit.* If the principal components of the Lease Payments are prepaid in full under this Article IX, such that the Indenture is discharged by its terms as a result of such prepayment, at the written election of the City filed with the Trustee any or all amounts then on deposit in the Bond Fund (and the accounts therein) will be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. *Notices.* Any notice, request, complaint, demand or other communication under this Lease shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile transmission or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City
or the Authority:

City of Fort Bragg
Attention: City Manager
416 N Franklin Street
Fort Bragg, CA 95437

If to the Trustee:

U.S. Bank National Association
One California Street, Suite 1000
San Francisco, CA 94111

[If to the Insurer:]

SECTION 10.2. *Binding Effect.* This Lease inures to the benefit of and binds the Authority, the City and their respective successors and assigns.

SECTION 10.3. *Severability.* If any provision of this Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 10.4. *Net-net-net Lease.* This Lease is deemed and construed to be a “net-net-net lease” and the City hereby agrees that the Lease Payments are an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 10.5. *Third Party Beneficiary.* The Trustee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

SECTION 10.6. *Further Assurances and Corrective Instruments.* The Authority and the City shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

SECTION 10.7. *Execution in Counterparts.* This Lease may be executed in several counterparts, each of which is an original and all of which constitute but one and the same instrument.

SECTION 10.8. *Applicable Law.* This Lease is governed by and construed in accordance with the laws of the State of California.

SECTION 10.9. *Board and City Representatives.* Whenever under the provisions of this Lease the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority and for the City by an Authorized Representative thereof, and any party hereto may conclusively rely upon any such approval or request.

SECTION 10.10. *Captions.* The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease.

Remainder of page intentionally left blank. Signatures on next page.

IN WITNESS WHEREOF, the Authority and the City have caused this Lease to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**CITY OF FORT BRAGG JOINT
POWERS FINANCING AUTHORITY**

By: _____
Tabatha Miller
Executive Director

CITY OF FORT BRAGG

By: _____
Tabatha Miller
City Manager

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Fort Bragg, County of Mendocino, State of California, which is more particularly described as follows:

APPENDIX B

SCHEDULE OF LEASE PAYMENTS

<u>Lease Payment Date *</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Aggregate Lease Payment</u>	<u>Annual Aggregate Lease Payment</u>
---------------------------------	--------------------------------	-------------------------------	------------------------------------	---

* Lease Payment Dates are the 5th Business Day immediately preceding each date listed in the schedule.

INDENTURE OF TRUST

Dated as of November 1, 2021

between

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Authorizing the Issuance of

\$ _____
City of Fort Bragg Joint Powers Financing Authority
2021 Lease Revenue Bonds
(Federally Taxable)

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of November 1, 2021, is between the CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

BACKGROUND:

1. The City of Fort Bragg (the “City”) is proceeding to refinance some or all of the unfunded accrued actuarial liability (“UAL”) owed by the City to the California Public Employees’ Retirement System (“CalPERS”) and to raise funds for other purposes authorized to be undertaken by the City (collectively, the “Project”).

2. In order to provide funds to finance the Project, the City has agreed to lease the real property more particularly described in Appendix A attached hereto and by this reference incorporated herein, consisting of (a) the City’s City Hall located at 416 N Franklin Street in the City and (b) the City’s Police Department Building located at 250 Cypress Street in the City (together, the “Leased Property”) to the Authority under a Site Lease dated as of November 1, 2021, pursuant to which the Authority agrees to make an initial rental payment (the “Site Lease Payment”) which is sufficient to provide funds for such purposes.

3. The Authority has authorized the issuance of its City of Fort Bragg Joint Powers Financing Authority 2021 Lease Revenue Bonds (Federally Taxable) in the aggregate principal amount of \$_____ (the “Bonds”) under this Indenture and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

4. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under a Lease Agreement dated as of November 1, 2021 (the “Lease”), under which the City has agreed to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

5. The lease payments made by the City under the Lease have been assigned by the Authority to the Trustee for the security of the Bonds under an Assignment Agreement dated as of November 1, 2021, between the Authority as assignor and the Trustee as assignee.

6. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued

and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

7. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. *Authorization of Bonds.* The Authority has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes the issuance of Bonds in the aggregate principal amount of \$_____ under the Bond Law for the purposes of providing funds to pay the Site Lease Payment to the City and thereby provide funds to finance the Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Bond Law. The Bonds are designated as the “City of Fort Bragg Joint Powers Financing Authority 2021 Lease Revenue Bonds (Federally Taxable).”

SECTION 2.02. *Terms of the Bonds.*

(a) Payment Provisions. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds shall mature on May 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (May 1)	Principal Amount	Interest Rate
--------------------------	---------------------	------------------

* Term Bond

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect from the transferee any tax or other governmental charge on the transfer of any Bonds under this Section 2.03. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount in authorized denominations. The Authority shall pay the cost of printing Bonds and any

services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect from the transferee any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.03, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.04. *Book-Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has

determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Registration Books.* The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

SECTION 2.06. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Treasurer of the Authority or other Authorized Representative with authority to do so shall execute, and the Secretary of the Authority shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.07, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

SECTION 2.08. *Additional Bonds.* In addition to the Bonds authorized to be issued pursuant to Section 2.01 of this Indenture, the Authority may, by Supplemental Indenture, establish one or more other issues of Additional Bonds secured and payable on a parity with such Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with the provisions of this Section 2.08 and Section 2.09, and subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) Such Additional Bonds shall have been authorized to finance additional capital improvements for the City, or to refund bonds previously issued to finance such capital improvements, and the issuance thereof shall have been determined and declared by the Authority, in a Supplemental Indenture, to be necessary for that purpose.

(b) The Authority and the City shall be in compliance with all covenants and undertakings set forth in this Indenture and in the Lease and the Site Lease.

(c) The aggregate principal amount of Bonds issued and at any time Outstanding hereunder shall not exceed any limit imposed by law, by this Indenture or by any Supplemental Indenture.

(d) Such Additional Bonds shall be equally and ratably secured by the Revenues with all other Bonds herein authorized.

(e) The Authority shall have entered into an amendment to the Lease, in and by which the City obligates itself in the manner provided in the Lease to make Lease Payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Lease, and the City shall certify in writing, that such Lease Payments, as amended, in any year shall not exceed the then fair rental value of the Leased Property.

(f) If necessary to ensure that the Lease Payments payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any year, the Authority and the City shall have amended the Lease pursuant to Section 7.5 thereof to add additional property to the Leased Property.

(g) In the event that the Additional Bonds are being issued to finance the construction of a to-be-built project, and such project is to be part of the Leased Property prior to its completion, the Supplemental Indenture authorizing the issuance of such Additional Bonds shall require the deposit into a capitalized interest account in the Project Fund, or a subaccount therein, an amount sufficient to pay interest on such Additional Bonds through a date which is not less than six

months after the anticipated completion date of the project, but only if such Additional Bonds are issued prior to the substantial completion of such project.

SECTION 2.09. Proceedings for the Issuance of Additional Bonds. Whenever the Authority shall have determined to issue Additional Bonds pursuant to Section 2.08, the Authority shall enter into a Supplemental Indenture determining that the issuance of such Additional Bonds is necessary for the purposes specified in Section 2.08, specifying the principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds and the funds to be established for the security and payment thereof. Before such Additional Bonds shall be issued and delivered, the Authority shall file the following documents with the Trustee:

(a) An executed copy of the Supplemental Indenture authorizing such Additional Bonds, together with a certified copy of the resolution of the Authority authorizing the issuance of such Additional Bonds and the execution of such Supplemental Indenture.

(b) An Opinion of Bond Counsel stating: (i) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the Authority; (ii) that the issuance of the Additional Bonds is authorized by the Bond Law and this Indenture; (iii) that the Additional Bonds when duly executed and delivered, will be valid and binding obligations of the Authority, payable from Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds; (iv) that upon the delivery of the Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount at the time permitted by law or the then limits of indebtedness of the Authority, if any; and (v) if the Additional Bonds are to be tax-exempt, that the interest on the Additional Bonds will be excluded from the gross income of the Owners thereof for federal income tax purposes.

(c) A Certificate of the Authority certifying that the requirements set forth in Section 2.08 have been either met or provided for, together with a copy of the amendment to the Lease required by Section 2.08, together with a certified copy of the resolutions of the Authority and the City authorizing the execution of such amendment to the Lease.

SECTION 2.10. Applicability to Additional Bonds. Unless otherwise specified in the Supplemental Indenture pursuant to which an issue of Additional Bonds are issued, the provisions of Sections 2.04 through 2.07 shall apply to such issue of Additional Bonds.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of the Bonds.* At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver the Bonds to the Original Purchaser upon receipt of payment of the purchase price for the Bonds.

SECTION 3.02. *Application of Proceeds of Sale of Bonds and City Contribution.* Upon the receipt of payment for the Bonds on the Closing Date in the amount of \$_____ (representing the aggregate principal amount thereof (\$_____)), less an Underwriter's discount of \$_____), the Trustee shall deposit the proceeds thereof into a temporary account, which shall be disbursed in full on the Closing Date (whereupon said temporary account shall be closed) as follows:

- (a) The Trustee shall deposit the amount of \$_____ into the Costs of Issuance Fund.
- (b) The Trustee shall deposit the amount of \$_____, constituting the remainder of such proceeds, in the Project Fund. Immediately upon closing, \$_____ shall be disbursed to CalPERS from the Project Fund pursuant to a Written Certificate of the City delivered to the Trustee in accordance with Section 3.04.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon. On 120 days following issuance of the Bonds, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Project Fund and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Establishment and Application of Project Fund; Surplus Bond Proceeds.* There is hereby established in trust a special fund designated the "Project Fund," which will be held by the Trustee and which will be kept separate and apart from all other funds and moneys held by the Trustee into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(c). The Trustee shall disburse amounts in the Project Fund from time to time to pay the Project Costs upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. The Trustee may conclusively rely on such Written Requisitions and shall be fully protected in relying thereon.

At the complete discretion of the Authority, the Authority may notify the Trustee in a Written Certificate of the Authority that up to \$3.5 million of the Bond proceeds are not needed for projects and are therefore surplus (such portion, the "Surplus Bond Proceeds"), and the Authority is obligated to use such Surplus Bond Proceeds to redeem a portion of the Bonds pursuant to Section 4.01(c).

Upon the receipt of a Written Certificate of the City stating that the Project has been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, the Trustee will close the Project Fund and transfer any remaining amounts to the Principal Account of the Bond Fund, to be applied as a credit towards the Lease Payments next coming due and payable.

SECTION 3.05. *Validity of Bonds.* The recital contained in the Bonds that the same are issued under the laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. *Terms of Redemption.*

(a) Optional Redemption. The Bonds maturing on or before May 1, _____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after May 1, _____, are subject to redemption in whole, or in part at the election of the Authority among maturities on such basis as shall be designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after May 1, _____, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Authority shall give the Trustee written notice of its intention to redeem Bonds under Section 4.01(a) and Section 4.01(c), and the manner of selecting such Bonds for redemption from among the maturities thereof, in sufficient time to enable the Trustee to give notice of such redemption in accordance with Section 4.03.

(b) The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following table; provided, however, that if some but not all of such Term Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Term Bonds Maturing May 1, _____

Sinking Fund Redemption Date (May 1)	Principal Amount To Be Redeemed
_____	_____

(maturity)

(c) Extraordinary Mandatory Redemption (Unexpended Bond Proceeds or Net Proceeds). The Bonds are subject to mandatory redemption prior to maturity in whole or in part among maturities as determined by the Authority, on any date, at a redemption price equal to 100% of the principal amount thereof to be redeemed (plus accrued but unpaid interest to the redemption date), without premium, from unexpended Bond proceeds as determined in the sole discretion of the Authority or Net Proceeds received under Section 5.6 of the Lease Agreement and from amounts deposited in the Insurance and Condemnation Fund pursuant to Section 5.06 hereof, and any other funds available for such purpose under this Indenture and/or Surplus Bond Proceeds.

SECTION 4.02. *Selection of Bonds for Redemption*. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Bonds shall be selected for redemption on a pro-rata basis among outstanding maturities or as otherwise directed by the Authority. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

SECTION 4.03. *Notice of Redemption; Rescission*. The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of the redemption of Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not

constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

SECTION 4.04. *Partial Redemption of Bonds.* Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

SECTION 4.05. *Effect of Redemption.* Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. *Security for the Bonds; Bond Fund.*

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture are hereby pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. Under the Assignment Agreement, the Authority has transferred to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under Sections 4.5, 5.10, 7.3 and 8.4 thereof). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the

Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under Article X, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

SECTION 5.02. *Allocation of Revenues.* On or before each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority:

- (a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.
- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Additional Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under a Supplemental Indenture, if any.

SECTION 5.03. *Application of Interest Account.* All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

SECTION 5.04. *Application of Principal Account.* All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Additional Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under a Supplemental Indenture, if any.

SECTION 5.05. *Application of Redemption Fund.* The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of the Bonds to be redeemed under Section 4.01(a) or (c);

provided, however, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed under a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee shall be entitled to conclusively rely on any Written Request of the Authority received under this Section, and shall be fully protected in relying thereon.

SECTION 5.06. *Insurance and Condemnation Fund.*

(a) Establishment of Fund. Upon the receipt of proceeds of insurance or eminent domain with respect to the Leased Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in this Section 5.07.

(b) Deposit of Proceeds. Any Net Proceeds of insurance and eminent domain awards with respect to the Leased Property collected by the City or the Authority in accordance with Article VI of the Lease will be deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund.

(c) Application of Proceeds. Net Proceeds deposited in the Insurance and Condemnation Fund will be used, as directed by the City, either (i) to replace, repair, restore, modify or improve the Leased Property if the City determines that such is economically feasible or in the best interests of the City, or (ii) to the extent not so used, to prepay the Lease Payments on the next optional prepayment date, and thereby redeem outstanding Bonds pursuant to optional redemption.

Any proceeds of an insurance or eminent domain award deposited in the Insurance and Condemnation Fund to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the City, or to replace any Leased Property taken in eminent domain proceedings, shall be applied upon receipt of a Written Request of the City which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund and has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Any balance of the proceeds remaining after such work has been completed as certified by the City under a Written Certificate to the Trustee shall be paid to the City. The Trustee shall be entitled to conclusively rely on any Written Request or Written Certificate received under this subsection (c) of this Section 5.06 and in each case, shall be fully protected in relying thereon.

Notwithstanding the foregoing, however, in the event of condemnation, damage or destruction of the Leased Property in full, the Net Proceeds of such insurance are required to be used by the City to redeem the Bonds in full; except that, if such proceeds and other amounts available under this Indenture are not sufficient to redeem outstanding Bonds in full, the City is required to rebuild or replace the Leased Property.

SECTION 5.07. *Investments.* All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority in a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments which constitute money market funds. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All amounts in any of the funds or accounts established with the City under this Indenture shall be invested by the City solely in investments which are authorized for the investment of such funds under the applicable laws of the State of California and under the adopted investment policy of the City.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, *provided, however*, that earnings on the investment of the amount in the Project Fund shall be retained therein. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section 5.07.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority a periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Except as otherwise provided hereunder or agreed in writing among the parties hereto, the Authority shall retain the authority to institute, participate and join in any plan or reorganization, readjustment, merger or consolidation with respect to the issuer of any securities held hereunder, and, in general, to exercise each and every other power or right with respect to each such asset or investment as individuals generally have and enjoy with respect to their own assets and investment, including power to vote upon any securities.

Unless the Authority notifies the Trustee otherwise in writing, the Trustee will provide the obligatory information to the registrant/issuer of any U.S. securities upon their

request. Any objection will apply to all securities held in any trust account now and in the future unless the Authority notifies the Trustee in writing of such objection.

SECTION 5.08. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except for any funds or accounts described in subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before January 1. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it is necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) For purposes of this Section 5.08, the term "Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is any commingled investment fund in which the Authority and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Tax Code, the term "investment" will include a hedge.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

[SECTION 5.09. *Reserve Fund.* [To come, if applicable]]

ARTICLE VI

COVENANTS OF THE AUTHORITY

SECTION 6.01. *Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues, and other amounts pledged for such payment as provided in this Indenture.

SECTION 6.02. *Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended. Nothing in this Section 6.02 limits the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance does not constitute an extension of maturity of the Bonds.

SECTION 6.03. *Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. *Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned, respectively, under this Indenture and under the Assignment Agreement in the manner and to the extent provided in this Indenture and the Assignment Agreement. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 6.05. *Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the

Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

SECTION 6.06. *Limitation on Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 6.07. *[Reserved]*.

SECTION 6.08. *Enforcement of Lease.* The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Lease. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Lease.

SECTION 6.09. *Waiver of laws.* The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 6.10. *Further Assurances.* The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

SECTION 6.11. *Maintenance of Existence.* The Authority shall maintain its existence as a joint exercise of powers agency while any Bonds are Outstanding, including by substituting a new member for the Successor Agency to the former Redevelopment Agency of the City of Fort Bragg if determined to be necessary for compliance with this covenant.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. *Events of Default.* The following events constitute Events of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.

- (c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the Lease.

SECTION 7.02. *Remedies Upon Event of Default.* If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it deems most effectual to protect and enforce any such right, at law or in equity, including but not limited to enforcement of any and all rights granted to the Authority or the Trustee under the Lease.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. *Application of Revenues and Other Funds After Default.* If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys and fees and expenses of its agents and advisors) incurred in and about the performance of its powers and duties under this Indenture;
- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

SECTION 7.04. *Trustee to Represent Bond Owners.* The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

SECTION 7.05. *Limitation on Bond Owners' Right to Sue.* Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Lease or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers

hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Lease or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

SECTION 7.06. *Absolute Obligation of Board.* Nothing herein or in the Bonds contained affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.07. *Termination of Proceedings.* In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

SECTION 7.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.09. *No Waiver of Default.* No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

SECTION 7.10. *Notice to the Bond Owners of Default.* Upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. *Appointment of Trustee.* U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII so long as any Bonds are Outstanding.

SECTION 8.02. *Acceptance of Trusts; Removal and Resignation of Trustee.* The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee.
- (b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (a) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (b) if at any time the Trustee ceases to be eligible in accordance with Section 8.02, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond

Owners notice of such resignation by mail at the addresses shown on the Registration Books.

- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (c), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to the Leased Property held by such predecessor Trustee under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or banking association organized and doing business under the laws of

any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.03. *Merger or Consolidation.* Any bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.04. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Lease (including any right to receive moneys thereunder or the value of or title to the premises upon which the Leased Property is located), nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts. Permissive rights of the Trustee shall not be construed as duties.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it under the Assignment Agreement.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Lease or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Lease, other than the covenants of the City to make Lease Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section 8.04 and Section 8.05, and shall be applicable to the assignment of any rights under the Lease to the Trustee under the Assignment Agreement.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease or this Indenture for the existence, furnishing or use of the Leased Property.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee is authorized and directed to execute the Assignment Agreement in its capacity as Trustee hereunder.

SECTION 8.05. *Right to Rely on Documents.* The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Authority or the City, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, and the Trustee shall be fully protected in relying thereon, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.06. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its

respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

SECTION 8.07. *Compensation and Indemnification.* The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Assignment Agreement or the Lease. As security for the performance of the obligations of the Authority under this Section 8.07 and the obligation of the Authority to make Additional Rental Payments to the Trustee, the Trustee shall have a lien prior to the lien of the Bonds upon all property and funds held or collected by the Trustee as such. The rights of the Trustee and the obligations of the Authority under this Section 8.07 shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Lease.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liabilities in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

ARTICLE IX

MODIFICATION OR AMENDMENT HEREOF

SECTION 9.01. *Amendments Permitted.*

(a) Amendments With Bond Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to

add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

- (iv) to facilitate the issuance of additional obligations which are payable from additional rental payments under the Lease; or
- (v) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture.

(e) Notice of Amendments. The Authority shall deliver or cause to be delivered a draft of any Supplemental Indenture to each rating agency which then maintains a rating on the Bonds, at least 10 days prior to the effective date of such Supplemental Indenture under this Section 9.01.

SECTION 9.02. *Effect of Supplemental Indenture*. Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 9.03. *Endorsement of Bonds; Preparation of New Bonds*. Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

SECTION 9.04. *Amendment of Particular Bonds.* The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

SECTION 10.01. *Discharge of Indenture.* Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee or an escrow agent, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

SECTION 10.02. *Discharge of Liability on Bonds.* Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. *Deposit of Money or Securities with Trustee.* Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee or escrow agent shall have been irrevocably instructed (by the terms of this Indenture or otherwise) to apply such money to the payment of such principal of and interest on such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

SECTION 10.04. *Unclaimed Funds.* Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for 2 years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or 2 years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the

Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. *Liability of Authority Limited to Revenues* . Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

SECTION 11.02. *Limitation of Rights to Parties and Bond Owners*. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

SECTION 11.03. *Funds and Accounts*. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

SECTION 11.04. *Waiver of Notice; Requirement of Mailed Notice*. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

SECTION 11.05. *Destruction of Bonds*. Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be

acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

SECTION 11.09. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority shall specify to the Trustee those Bonds disqualified under this Section 11.09.

SECTION 11.10. *Money Held for Particular Bonds.* The money held by the Trustee for the payment of the interest, premium, if any, or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

SECTION 11.11. *Waiver of Personal Liability.* No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

SECTION 11.12. *Successor Is Deemed Included in All References to Predecessor.* Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.13. *Execution in Several Counterparts.* This Indenture may be executed in any number of counterparts and each of such counterparts shall for all

purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 11.14. *Payment on Non-Business Day.* In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

SECTION 11.15. *Governing Law.* This Indenture shall be governed by and construed in accordance with the laws of the State of California.

Remainder of page intentionally left blank. Signatures on next page.

IN WITNESS WHEREOF, the CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**CITY OF FORT BRAGG JOINT
POWERS FINANCING AUTHORITY**

By: _____
Tabatha Miller
Executive Director

ATTEST:

By: _____
June Lemos
Secretary

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

APPENDIX A

DEFINITIONS

“Additional Bonds” means Additional Bonds issued in accordance with Section 2.08 hereof.

“Additional Rental Payments” means the amounts of additional rental which are payable by the City under Section 4.5 of the Lease or which are otherwise identified as Additional Rental Payments under the Lease.

“Assignment Agreement” means the Assignment Agreement dated as of November 1, 2021, between the Authority as assignor and the Trustee as assignee, as originally executed or as thereafter amended.

“Authority” means the City of Fort Bragg Joint Powers Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated as of April 19, 1993, by and between the City and Redevelopment Agency of the City of Fort Bragg, creating the Authority, together with any amendments thereof and supplements thereto, and under the laws of the State of California.

“Authorized Representative” (a) with respect to the Authority, the President, Executive Director, Treasurer or any other person designated as an Authorized Representative of the Authority by the Board of Directors of the Authority; and (b) with respect to the City, the City Manager, Finance Director, or any other person designated as an Authorized Representative of the City by the City Council of the City.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Year” means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including May 1, 2022.

“Bonds” means the \$_____ aggregate principal amount of City of Fort Bragg Joint Powers Financing Authority 2021 Lease Revenue Bonds (Federally Taxable) authorized by and at any time Outstanding under the Bond Law and this Indenture.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the City in which the Office of the Trustee is located.

“City” means the City of Fort Bragg, a municipal corporation organized and existing under the laws of the State of California.

“Closing Date” means _____, 2021, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and the Authority relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: Authority formation and administration costs, printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and their respective counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; bond insurance reserve fund insurance premiums; title insurance and other insurance costs, and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Event of Default” means any of the events specified in Section 7.01.

“Excess Investment Earnings” means an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the Authority may designate in a certificate delivered to the Trustee.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee under Section 5.06.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Interest Payment Date” means each May 1 and November 1, commencing November 1, 2022, so long as any Bonds remain unpaid.

“Lease” means the Lease Agreement dated as of November 1, 2021, between the Authority as lessor and the City as lessee of the Leased Property, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

“Lease Payment Date” means, with respect to any Interest Payment Date, the 5th Business Day immediately preceding such Interest Payment Date.

“Lease Payments” means the amounts payable by the City under Section 4.3(a) of the Lease, including any prepayment thereof and including any amounts payable upon a delinquency in the payment thereof.

“Leased Property” means the real property described in Appendix A to the Lease, together with all improvements and facilities at any time situated thereon.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Proceeds” means amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Property, or the proceeds of any taking of the Leased Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency and operations business is conducted initially in St. Paul, Minnesota.

“Original Purchaser” means Oppenheimer & Co., as original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.09; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee under this Indenture.

“Owner”, whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article V of the Lease; (b) the Site Lease, the Lease and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, material man, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy with respect to the Leased Property issued as of the Closing Date by Stewart Title Company; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Leased Property for its intended purposes.

“Permitted Investments” means any of the following:

- (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.
- (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P at the time of purchase.

- (d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P at the time of purchase; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (e) Commercial paper rated "A-1+" or better by S&P at the time of purchase.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P at the time of purchase.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm at the time of purchase, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P at the time of purchase, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P at the time of purchase.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P at the time of purchase.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Principal Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Project” has the meaning set forth in the recitals hereto.

“Project Costs” means, with respect to the Project, all costs related thereto, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for the purchase of the Project or otherwise relating to the acquisition, construction and installation of the Project;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Project;
- (d) preliminary costs of the Project, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project;
- (e) costs of equipping and furnishing the Project, and costs of taking occupancy of the Project including costs incurred in connection with the relocation of City functions and personnel into the Project;
- (f) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Project;
- (g) all financing costs incurred in connection with the acquisition, construction and installation of the Project; and
- (h) the Lease Payments coming due during the period of construction of the Project.

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.05.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Revenues” means:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts described in Section 7.5(b)(v) of the Lease, and (ii) any Additional Rental Payments; and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in written notice filed with the Trustee.

“Site Lease” means the Site Lease dated as of November 1, 2021, between the City as lessor and the Authority as lessee, as amended from time to time in accordance with its terms.

“Site Lease Payment” means the amount of \$_____, which is payable by the Authority to the City on the Closing Date under Section 3 of the Site Lease.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, with reference to the Lease, the time during which the Lease is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means the Bonds maturing on May 1, _____.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, or its successor or successors, as Trustee hereunder as provided in Article VIII.

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

APPENDIX B
BOND FORM

No. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY

2021 LEASE REVENUE BONDS
(Federally Taxable)

INTEREST RATE: _____% MATURITY DATE: May 1, _____ ORIGINAL ISSUE DATE: _____, 2021 CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ DOLLARS***

The CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before October 15, 2022, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on May 1 and November 1 in each year, commencing November 1, 2022 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender hereof at the corporate trust office of U.S. Bank National

Association, in San Francisco, California (the "Trust Office"), as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee mailed on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Fort Bragg (the "City"), the County of Mendocino, the State of California, or any of its political subdivisions, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "City of Fort Bragg Joint Powers Financing Authority 2021 Lease Revenue Bonds (Federally Taxable) (the "Bonds"), in an aggregate principal amount of \$_____, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), and under an Indenture of Trust dated as of November 1, 2021, between the Authority and the Trustee (the "Indenture") and a resolution of the Authority adopted on [October 12], 2021, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all 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, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance the acquisition and construction of capital improvements of the City. This Bond and the interest and premium, if any, hereon are special obligations of the Authority, payable from the Revenues, and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of lease payments made by the City under a Lease Agreement dated as of November 1, 2021, between the Authority as lessor and the City as lessee (the "Lease"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before May 1, _____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after May 1, _____, are subject to redemption in whole, or in part at the at the election of the Authority among maturities on such basis as shall be designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after May 1, _____, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Bonds maturing on May 1, _____ are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following table; provided, however, that if some but not all of such Bonds have been redeemed pursuant to an optional redemption or special mandatory redemption from insurance or condemnation proceeds, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

Term Bonds Maturing May 1, _____

Sinking Fund Redemption Date (May 1)	Principal Amount To Be Redeemed
_____	_____

(maturity)

The Bonds are subject to mandatory redemption prior to maturity in whole or in part among maturities as determined by the Authority on any date, at a redemption price equal to 100% of the principal amount thereof to be redeemed (plus accrued but unpaid interest to the redemption date), without premium, from Net Proceeds of title insurance received under the Lease and from Net Proceeds of certain damage and condemnation awards deposited in the Insurance and Condemnation Fund, and any other funds available for such purpose under this Indenture.

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 or more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption. Notice of any optional redemption of the Bonds may be rescinded under the circumstances set forth in the Indenture, upon notice to the owners of such Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or 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.

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

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the City of Fort Bragg Joint Powers Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile

signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**CITY OF FORT BRAGG JOINT POWERS
FINANCING AUTHORITY**

By: _____
Executive Director

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated:

U.S. Bank National Association,
as Trustee

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

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

**APPENDIX C
BOND INSURANCE PROVISIONS**

[To come, if applicable]

**APPENDIX D
RESERVE POLICY INSURANCE PROVISIONS**

[To come, if applicable]

RECORDING REQUESTED BY:
City of Fort Bragg

AND WHEN RECORDED RETURN TO:
Jones Hall, A Professional Law Corporation
Attn: James A Wawrzyniak, Jr.
475 Sansome Street, Suite 1700
San Francisco, California 94111

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX UNDER SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES UNDER SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this “Agreement”), dated for convenience as of November 1, 2021, is between the CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”).

BACKGROUND:

1. The City is proceeding to refinance some or all of the unfunded accrued actuarial liability (“UAL”) owed by the City to the California Public Employees’ Retirement System (“CalPERS”) and to raise funds for other purposes (collectively, the “Project”).

2. In order to provide funds to finance the Project, the City has agreed to lease the real property more particularly described in Appendix A attached hereto and by this reference incorporated herein, consisting of (a) the City’s City Hall located at 416 N Franklin Street in the City and (b) the City’s Police Department Building located at 250 Cypress Street in the City (together, the “Leased Property”) to the Authority under a Site Lease dated as of November 1, 2021, (the “Site Lease”), which has been recorded concurrently herewith, pursuant to which the Authority agrees to make an initial rental payment (as described herein, the “Site Lease Payment”) which is sufficient to provide funds for such purposes.

3. The Authority has authorized the issuance of its 2021 Lease Revenue Bonds (Federally Taxable) in the aggregate principal amount of \$_____ (the “Bonds”) under an Indenture of Trust dated as of November 1, 2021 (the “Indenture”), between the Authority and U.S. Bank National Association, as trustee (the “Trustee”),

and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), for the purpose of providing the funds to enable the Authority to pay the Site Lease Payment to the City in accordance with the Site Lease.

4. In order to provide revenues which are sufficient to enable the Authority to pay debt service on the Bonds, the Authority has agreed to lease the Leased Property back to the City under the Lease Agreement dated as of November 1, 2021 (the "Lease Agreement"), which has been recorded concurrently herewith, under which the City agrees to pay semiannual Lease Payments as the rental for the Leased Property thereunder.

5. The Authority has requested the Trustee to enter into this Agreement for the purpose of assigning certain of its rights under the Lease to the Trustee for the benefit of the Bond owners.

A G R E E M E N T :

In consideration of the material covenants contained in this Agreement, the parties hereto hereby formally covenant, agree and bind themselves as follows:

SECTION 1. *Defined Terms.* All capitalized terms not otherwise defined herein have the respective meanings given those terms in the Indenture.

SECTION 2. *Assignment.* The Authority hereby assigns to the Trustee, for the benefit of the Owners of all Bonds which are issued and Outstanding under the Indenture, all of the Authority's rights under the Lease (excepting only the Authority's rights under Sections 4.5, 5.10, 7.3 and 8.4 of the Lease), including but not limited to:

- (a) the right to receive and collect all of the Lease Payments from the City under the Lease,
- (b) the right to receive and collect any proceeds of any insurance maintained thereunder with respect to the Leased Property, or any eminent domain award (or proceeds of sale under threat of eminent domain) paid with respect to the Leased Property, and
- (c) the right to exercise such rights and remedies conferred on the Authority under the Lease as may be necessary or convenient (i) to enforce payment of the Lease Payments and any amounts required to be deposited in the Insurance and Condemnation Fund established under Section 5.07 of the Indenture, or (ii) otherwise to protect the interests of the Bond Owners in the event of a default by the City under the Lease.

The Trustee shall administer all of the rights assigned to it by the Authority under this Agreement in accordance with the provisions of the Indenture, for the benefit of the Owners of Bonds. The assignment made under this Section 2 is absolute and irrevocable, and without recourse to the Authority.

SECTION 3. *Acceptance.* The Trustee hereby accepts the assignments made herein for the purpose of securing the payments due under the Lease and Indenture to, and the rights under the Lease and Indenture of, the Owners of the Bonds, all subject to the provisions of the Indenture. The recitals contained herein are those of the Authority and not of the Trustee, and the Trustee assumes no responsibility for the correctness thereof.

SECTION 4. *Conditions.* This Agreement confers no rights and imposes no duties upon the Trustee beyond those expressly provided in the Indenture. The assignment hereunder to the Trustee is solely in its capacity as Trustee under the Indenture.

SECTION 5. *Execution in Counterparts.* This Agreement may be executed in any number of counterparts, each of which is an original and all together constitute one and the same agreement. Separate counterparts of this Agreement may be separately executed by the Trustee and the Authority, both with the same force and effect as though the same counterpart had been executed by the Trustee and the Authority.

SECTION 6. *Binding Effect.* This Agreement inures to the benefit of and binds the Authority and the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 7. *Governing Law.* This Agreement is governed by the laws of the State of California.

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

**CITY OF FORT BRAGG JOINT POWERS
FINANCING AUTHORITY**

By: _____
Tabatha Miller
Executive Director

**U.S. BANK NATIONAL ASSOCIATION,
*as Trustee***

By: _____
Authorized Officer

APPENDIX A

DESCRIPTION OF THE LEASED PROPERTY

The Leased Property consists of that certain real property situated in the City of Fort Bragg, County of Mendocino, State of California, which is more particularly described as follows:

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2021

NEW ISSUE - FULL BOOK-ENTRY

RATING[S]: S&P (Insured): “___”
S&P (Underlying): “___”
See “RATING[S]”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is exempt from California person income taxes. Bond Counsel observes interest on the Bonds is not excluded from gross income for federal income tax purposes. See “TAX MATTERS.”

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful.

\$ _____ *

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 Lease Revenue Bonds
(Federally Taxable)

Dated: Date of Delivery

Due: May 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the City of Fort Bragg Joint Powers Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on October 12, 2021, and an Indenture of Trust dated as of November 1, 2021 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). See "THE BONDS – Authority for Issuance."

Use of Proceeds. The Bonds are being issued to (i) refinance some or all of the unfunded accrued actuarial liability ("UAL") owed by the City of Fort Bragg (the "City") to the California Public Employees' Retirement System ("CalPERS"), (ii) raise funds for other purposes, as described herein, and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Security for the Bonds. Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of November 1, 2021, by and between the Authority, as lessor, and the City, as lessee (the "Lease"), consisting primarily of semi-annual lease payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The Bonds are also secured by certain funds on deposit under the Indenture. See "SECURITY FOR THE BONDS."

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2022, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – General Provisions."

Redemption. The Bonds are subject to redemption prior to maturity. See "THE BONDS – Redemption."

[Bond Insurance; Reserve Fund Surety Policy. [To come, if applicable]]

NEITHER THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about November __, 2021.

[Underwriter logo]

The date of this Official Statement is: _____, 2021.

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$ _____ * Serial Bonds
(Base CUSIP†: _____)

<u>Maturity</u> (<u>May 1</u>)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ _____ % Term Bonds due May 1, 20____; Price: _____%; Yield: _____;
CUSIP†: _____

† Copyright American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. None of the City, the Authority or the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change.

**CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
CITY OF FORT BRAGG
(MENDOCINO COUNTY, CALIFORNIA)**

**BOARD OF DIRECTORS OF THE AUTHORITY
AND MEMBERS OF THE CITY COUNCIL**

Bernie Norvell, *President/Mayor*
Jessica Morsell-Haye, *Vice-President/Vice-Mayor*
Tess Albin-Smith, *Boardmember/Councilmember*
Linda Peters, *Boardmember/Councilmember*
Marcia Rafanan, *Boardmember/Councilmember*

AUTHORITY/CITY OFFICIALS

Tabatha Miller, *Executive Director/City Manager*
June Lemos, CMC, *Secretary/City Clerk*
Keith F. Collins of Jones & Mayer, *General Counsel/City Attorney*

FINANCING SERVICES

MUNICIPAL ADVISOR

NHA Advisors LLC
San Rafael, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

U.S. Bank National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The City has obtained certain information set forth herein 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. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Indenture.

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.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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[Insert Regional Location Map]

OFFICIAL STATEMENT

\$ _____ *

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 Lease Revenue Bonds
(Federally Taxable)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Authority for Issuance. The City of Fort Bragg Joint Powers Financing Authority (the “**Authority**”) is issuing the bonds captioned above (the “**Bonds**”) under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the “**Law**”), resolutions adopted by the Board of Directors (the “**Board**”) of the Authority on October 12, 2021 (the “**Authority Resolution**”), and by the City Council (the “**City Council**”) of the City of Fort Bragg (the “**City**”) on October 12, 2021 (the “**City Resolution**”), and an Indenture of Trust (the “**Indenture**”) dated as of November 1, 2021, by and between the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Authority and the City. The Authority is a joint exercise of powers authority established by the City and the Redevelopment Agency of the City of Fort Bragg (now succeeded by the Successor Agency to the former Redevelopment Agency of the City of Fort Bragg) pursuant to a Joint Exercise of Powers Agreement, dated as of April 19, 1993, for the purpose, among others, of having the Authority issue its bonds to finance public capital improvements and working capital for the City. The City was incorporated in 1889 as a general law city located in the County of Mendocino (the “**County**”), and had an estimated population according to the State Department of Finance as of January 1, 2021 of 7,409. For additional background, and certain demographic and economic information regarding the City and the County, see APPENDIX B.

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2022. The Bonds will be issued in fully registered form, registered in the name

* Preliminary; subject to change.

of The Depository Trust Company (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – Book-Entry Only System” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Purpose of the Bonds. The Bonds are being issued to (i) refinance some or all of the unfunded accrued actuarial liability (“UAL”) owed by the City of Fort Bragg (the “City”) to the California Public Employees’ Retirement System (“CalPERS”), (ii) raise funds for other purposes, as described herein, and (iii) pay the costs of issuing the Bonds. See “FINANCING PLAN.”

Security for the Bonds and Pledge of Revenues. Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on “Revenues” (as defined in this Official Statement) received by the Authority under the Lease Agreement dated as of November 1, 2021, between the Authority, as lessor, and the City, as lessee (the “Lease”), consisting primarily of semi-annual lease payments (the “Lease Payments”) made by the City under the Lease. The Bonds are also secured by certain funds on deposit under the Indenture. See “SECURITY FOR THE BONDS.”

The City and the Authority will enter into a Site Lease dated as of November 1, 2021 (the “Site Lease”), under which the City will lease certain real property to the Authority, consisting of (1) the City’s City Hall located at 416 North Franklin Street in the City and (2) the City’s Police Department Building located at 250 Cypress Street in the City (together, the “Leased Property”), as further described herein under the caption “THE LEASED PROPERTY,” in return for a single initial Site Lease Payment. Concurrently, the City and the Authority will enter into the Lease, under which the Authority will lease the Leased Property back to the City in return for semi-annual Lease Payments. The Lease Payments will be assigned by the Authority to the Trustee to pay debt service on the Bonds pursuant to an Assignment Agreement dated as of November 1, 2021 (the “Assignment Agreement”) between the Authority and the Trustee. See “SECURITY FOR THE BONDS” and “THE LEASED PROPERTY” below.

[Bond Insurance; Reserve Fund Surety Policy. To come, if applicable.]]

Redemption. The Bonds are subject to redemption prior to their stated maturity dates. See “THE BONDS – Redemption.”

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the City’s use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease, the Bond Owners would receive less than the full amount of principal of and interest on the Bonds. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those proceeds during periods of abatement. See “SECURITY FOR THE BONDS – Abatement” and “BOND OWNERS’ RISKS.”

Risks of Investment. Debt service on the Bonds is payable only from Lease Payments and other amounts payable by the City to the Authority under the Lease. The Lease Payments are payable from revenues available in the City’s general fund, which revenues may be materially adversely affected by numerous factors outside the City’s control, including the ongoing COVID-19 pandemic and the governmental responses to the pandemic. For a discussion of some of the risks associated with the purchase of the Bonds, see “BOND OWNERS’ RISKS.”

NEITHER THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

FINANCING PLAN

The Bonds are being issued to (i) refinance some or all of the UAL owed by the City to CalPERS (ii) raise funds for other purposes, as described below, and (iii) pay the costs of issuing the Bonds.

The City’s current UAL is approximately \$11.6 million, and the City anticipates prepaying approximately \$7.5 million of this amount.

The other funds raised by the City will be used to rehabilitate and remediate certain real property located in the City that is currently owned by Georgia-Pacific, a multinational logging and paper company, and that the City intends to acquire, environmentally remediate, as needed, and put to new uses. The exact timing of the acquisition, remediation and re-use is uncertain, and no assurance can be given this component of the project will be completed. The current estimate for the remediation cost to be financed through the proceeds of the Bonds is \$3.5 million. If the acquisition does not occur, the City intends to use the proceeds for other purposes, including bolstering reserves, and/or to redeem a portion of the proceeds of the Bonds. Accordingly, at the complete discretion of the Authority, the Authority may notify the Trustee in a certificate that up to \$3.5 million of the Bond proceeds are not needed for projects and are therefore surplus (such portion, the “Surplus Bond Proceeds”), and the Authority is obligated to use such Surplus Bond Proceeds to redeem a portion of the Bonds. See “THE BONDS – Redemption.”

Estimated Sources and Uses

The estimated sources and uses of funds relating to the Bonds are as follows:

<u>Sources:</u>	
Principal Amount of Bonds	\$
<i>TOTAL SOURCES</i>	\$
 <u>Uses:</u>	
Payment to CalPERS	\$
Deposit to Project Fund	
Costs of Issuance ⁽¹⁾	
<i>TOTAL USES</i>	\$

⁽¹⁾ Represents funds to be used to pay Costs of Issuance, which include legal fees, printing costs, rating agency fees, [bond insurance and reserve fund insurance premiums,] Underwriter’s discount and other costs of issuing the Bonds.

THE LEASED PROPERTY

Leased Property

The Leased Property initially consists of (1) the City's City Hall located at 416 North Franklin Street in the City and (2) the City's Police Department building and site located at 250 Cypress in the City.

City Hall. The City Hall was initially constructed in 1921, with considerable upgrades and improvements completed in 2007-2008. This City Hall rehab project included a full building retrofit, which was certified compliant with the 2007 California Building Code, as well as plumbing, fire protection sprinkler system improvements, plumbing and HVAC improvements. City Hall is approximately 25,676 square feet in size, and has an insured value of is approximately \$6.6 million, excluding the insured value of the contents and any land value for the site. The land value for City Hall is estimated at approximately \$1.0 million.

Police Department. The Police Department was constructed in 1990 and is one of the City's newest facilities. It is approximately 8,434 square feet in size, and has an insured approximately \$2.5 million, excluding the insured value of the contents and any land value for the site. The land value for the Police Department is estimated at approximately \$_____ million.

The City may install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items will remain the sole property of the City and may be modified or removed by the City at any time, provided that the City must repair all damage to the Leased Property resulting from the installation, modification or removal of any such items.

Substitution and Release

Release of Leased Property. Under the Lease, the City has the option at any time and from time to time to release any portion of the Leased Property from the Lease (the "**Released Property**") provided that the City has satisfied all of the requirements under the Lease that are conditions precedent to such removal, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Mendocino County Recorder sufficient memorialization of, an amendment of the Lease, the Site Lease and the Assignment Agreement that removes the Released Property from the Site Lease, the Lease and the Assignment Agreement.
- The City must certify in writing to the Authority and the Trustee that the value of the property that remains subject to the Lease following such release is at least equal to the then outstanding principal amount of the Bonds, and the fair rental value of the property that remains subject to the Lease following such release is at least equal to the Lease Payments thereafter coming due and payable thereunder.

Upon the satisfaction of all the conditions precedent set forth in the Lease, the term of the Lease will end as to the Released Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such release.

Substitution of Lease Property. Under the Lease, the City has the option at any time and from time to time, to substitute other real property (the "**Substitute Property**") for the Leased

Property or any portion thereof (the “**Former Property**”), upon satisfaction of all of the conditions set forth in the Lease, which include (among others) the following:

- The City must file with the Authority and the Trustee, and cause to be recorded in the office of the Mendocino County Recorder sufficient memorialization of, an amendment of the Site Lease, Lease and Assignment Agreement that adds the legal description of the Substitute Property and deletes therefrom the legal description of the Former Property.
- The City must certify in writing to the Authority and the Trustee that the Substitute Property serves the municipal purposes of the City and constitutes property which the City is permitted to lease under the laws of the State of California, and has been determined to be important to the proper, efficient and economic operation of the City and to serve a proper governmental function of the City.
- The City must file with the Authority and the Trustee a written certificate of the City or other written evidence stating that the estimated fair rental value of the Leased Property following the substitution will be at least equal to the aggregate principal amount of the Bonds then outstanding, and that the useful life of the Substitute Property at least extends to the stated termination date of the Lease.

Upon the satisfaction of all the conditions precedent contained in the Lease, the term of the Lease will end as to the Former Property and commence as to the Substitute Property, and all references to the Former Property will apply with full force and effect to the Substitute Property. The City is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of any substitution of property under this provision of the Lease.

DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Bonds.

Year Ending May 1	Principal	Interest	Total Debt Service
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Total:

THE BONDS

This section provides summaries of the Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Authority for Issuance

The Bonds are being issued under the Law, the Indenture, the Authority Resolution (which was adopted by the Board of the Authority on October 12, 2021), and the City Resolution (which was adopted by the City Council on October 12, 2021).

General Provisions

Bond Terms. The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the annual rates, set forth on the inside cover page of this Official Statement.

Payments of Principal and Interest. Interest on the Bonds will be payable on May 1 and November 1 in each year, beginning November 1, 2022 (each an “**Interest Payment Date**”). Interest on the Bonds is payable from the Interest Payment Date next preceding the date of its authentication unless: a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, a Bond is authenticated on or before 15 days prior to the first Interest Payment Date, in which event interest thereon will be payable from the Closing Date, or interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is computed on the basis of a 360-day year composed of 12 months of 30 days each and payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to the Bonds will be paid by the Trustee to DTC for subsequent disbursement to beneficial owners of the Bonds. See “– Book-Entry Only System” below.

Record Date. Under the Indenture, “**Record Date**” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

Transfer, Registration and Exchange

The following provisions regarding the exchange and transfer of the Bonds apply only during any period in which the Bonds are not subject to DTC’s book-entry system. While the Bonds are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Bond Register. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which will upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours by the Authority; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Transfer and Exchange. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee will require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond is or Bonds are surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee will require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The Authority will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

The Trustee may refuse to transfer or exchange, under the provisions of the Indenture described above, any Bonds selected by the Trustee for redemption under the Indenture, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

Redemption*

Optional Redemption. The Bonds maturing on or before May 1, _____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after May 1, _____, are subject to redemption in whole, or in part at the election of the Authority among maturities on such basis as designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after May 1, _____, from any available source of funds, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing May 1, _____ (the “**Term Bonds**”) are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on May 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Bonds have been optionally redeemed, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Authority (as set forth in a schedule provided by the Authority to the Trustee).

Term Bonds Maturing May 1, _____

Sinking Fund Redemption Date (<u>May 1</u>)	Principal Amount <u>To Be Redeemed</u>
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Extraordinary Mandatory Redemption. The Bonds are subject to mandatory redemption prior to maturity in whole or in part, among maturities as determined by the Authority, on any date, at a redemption price equal to 100% of the principal amount thereof to be redeemed (plus accrued but unpaid interest to the redemption date), without premium, from Net Proceeds received under from amounts deposited in the Insurance and Condemnation Fund under the Indenture, and any other funds available under the Indenture for purposes of that fund and/or Surplus Bond Proceeds.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single maturity, the Trustee will select the Bonds of that maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

Notice of Redemption. The Trustee will give notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing

* Preliminary; subject to change.

on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board.

Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

However, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the Authority and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Rescission of Redemption Notice. The Authority has the right to rescind any notice of the redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Indenture.

Effect of Redemption. When notice of redemption has been duly given as set forth in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, including any applicable premium, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, those Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple of \$5,000, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM" for further information regarding DTC and the book-entry system.

SECURITY FOR THE BONDS

The principal of and interest on the Bonds are not a debt of the Authority or the City, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of their respective property, or upon any of their income, receipts, or revenues except the Revenues and other amounts pledged under the Indenture.

This section provides summaries of the security for the Bonds and certain provisions of the Indenture, the Lease and the Site Lease. See “APPENDIX C – Summary of Principal Legal Documents” for a more complete summary of the Indenture, the Lease, the Site Lease and the Assignment Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. Under the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under the Indenture are pledged to secure the payment of the principal of and interest and premium (if any) on the Bonds in accordance with their terms and the provisions of the Indenture. This pledge constitutes a lien on and security interest in the Revenues and such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

Definition of Revenues. “Revenues” are defined in the Indenture as follows:

(a) all amounts received by the Authority or the Trustee under or with respect to the Lease, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding (i) any amounts the City is obligated to pay under the Lease as additional amounts of rental for the use and occupancy of the Leased Property if such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations as described in the Lease, and (ii) any Additional Rental Payments (described below); and

(b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture.

Assignment to Trustee

Under the Assignment Agreement, the Authority will transfer to the Trustee all of the rights of the Authority in the Lease (other than the rights of the Authority under the provisions of the Lease regarding Additional Rental Payments, repayment of advances, indemnification, and the payment of attorneys’ fees). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will immediately be paid by the Authority to the Trustee. The Trustee is also entitled to and will, subject to the provisions of the Indenture regarding duties of the Trustee, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly

with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Lease.

Allocation of Funds by Trustee

Deposit of Revenues into Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Bond Fund” which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such funds. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefore under the Indenture, and (ii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

Transfers from the Bond Fund. On or before each Interest Payment Date, the Trustee will transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Bond Fund), the following amounts in the following order of priority:

Deposit to Interest Account. The Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

Deposit to Principal Account. The Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date.

Application of Accounts within Bond Fund.

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

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and premium (if any) of any Bonds to be optionally redeemed under the Indenture.

Lease Payments

Requirement to Make Lease Payments. Under the Lease, subject to the provisions of the Lease concerning rental abatement (see – “Abatement,” below) and prepayment of Lease Payments, the City agrees to pay to the Authority, its successors and assigns, the Lease Payments in the respective amounts specified in the Lease, to be due and payable in immediately available funds on the Interest Payment Dates immediately following each of the respective Lease Payment Dates specified in the Lease, and to be deposited by the City with the Trustee on each of the Lease Payment Dates specified in the Lease (defined as the 5th Business Day immediately preceding each Interest Payment Date).

Any amount held in the Bond Fund, the Interest Account and the Principal Account on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole under the Lease, and amounts required for payment of past due principal or interest on any Bonds not presented for payment) will be credited towards the Lease Payment then required to be paid hereunder.

The City is not required to deposit any Lease Payment with the Trustee on any Lease Payment Date if the amounts then held in the Bond Fund, the Interest Account and the Principal Account are at least equal to the Lease Payment then required to be deposited with the Trustee.

The Lease Payments payable in any Rental Period are for the use of the Leased Property during that Rental Period.

Rate on Overdue Lease Payments. If the City fails to make any of the payments of Lease Payments required in the Lease, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest on any Outstanding Bond.

Fair Rental Value. The aggregate amount of the Lease Payments and Additional Rental Payments coming due and payable during each Rental Period constitute the total rental for the Leased Property for such Rental Period, and are payable by the City in each Rental Period for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The Authority and the City have agreed and determined that the total Lease Payments represent the fair rental value of the Leased Property. In making that determination, consideration has been given to the estimated value of the Leased Property, other obligations of the City and the Authority under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Additional Rental Payments. In addition to the Lease Payments, the City shall pay when due the following amounts of Additional Rental Payments in consideration of the lease of the Leased Property by the City from the Authority:

- (a) All fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Leased Property, when due;
- (b) All reasonable compensation to the Trustee for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and

other disbursements incurred in and about the performance of its powers and duties under the Indenture;

- (c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease or the Indenture;
- (d) Amounts coming due and payable as Excess Investment Earnings in accordance with the Lease; and
- (e) The reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease or the Indenture, or in connection with the issuance of the Bonds, including but not limited to any and all expenses incurred in connection with the authorization, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease, the Bonds, the Indenture or any of the other documents contemplated thereby, or otherwise incurred in connection with the administration of the Lease.

Limited Obligation

THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT 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.

Additional Bonds

In addition to the Bonds, the Authority may establish one or more other issues of Additional Bonds secured and payable from the Revenues on a parity with the Bonds, and may issue and deliver such Additional Bonds in such principal amount as shall be determined by the Authority, but only upon compliance by the Authority with specific conditions set forth in the Indenture, which are conditions precedent to the issuance of such Additional Bonds and include (among others) the following:

- (a) The Authority shall have entered into an amendment to the Lease, in and by which the City obligates itself in the manner provided in the Lease to make Lease Payments for the lease of the Leased Property at the times and in the amounts sufficient to provide for the payment of the principal of and interest on such Additional Bonds as such principal and interest become due and to make all other payments in the manner provided in the Lease, and the City shall certify in writing, that such Lease Payments, as amended, in any year shall not exceed the then fair rental value of the Leased Property.
- (b) If necessary to ensure that the Lease Payments payable after the issuance of Additional Bonds does not exceed the fair rental value of the Leased Property in any year, the Authority and the City shall have amended the Lease to add additional property to the Leased Property.

Source of Lease Payments; Covenant to Budget and Appropriate

The Lease Payments are payable from any source of available funds of the City, subject to the provisions of the Lease regarding abatement. See “– Abatement” herein.

Under the Lease, the City covenants to take all actions required to include the Lease Payments in each of its budgets during the Term of the Lease and to make the necessary appropriations for all Lease Payments and Additional Rental Payments. This covenant of the City constitutes a duty imposed by law and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the City.

Abatement

Termination or Abatement Due to Eminent Domain. Under the Lease, if the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease thereupon ceases as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, then:

(a) the Lease will continue in full force and effect with respect thereto and does not terminate by virtue of such taking, and the parties waive the benefit of any law to the contrary; and

(b) the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property.

Abatement Due to Title Defect, Damage or Destruction. The Lease Payments are subject to abatement during any period in which by reason of title defect, damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Leased Property or any portion thereof.

In the case of damage or destruction of only a portion of the Leased Property, the Lease Payments are subject to abatement in an amount determined by the City such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Leased Property not damaged or destroyed. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction.

If any such title defect, damage or destruction occurs, the Lease continues in full force and effect and the City waives any right to terminate this Lease by virtue of any such damage and destruction. The City must maintain title insurance on the Leased Property during the term of the Lease, which proceeds would be available to pay Lease Payments in the event of a title defect.

Property Insurance

Liability and Property Damage Insurance. Under the Lease, the City is required to maintain or cause to be maintained throughout the Term of the Lease, but only if and to the extent

available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard commercial general liability insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns.

Such policy or policies must provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Such policy or policies must provide coverage in such liability limits and be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease regarding self-insurance, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance must be applied toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, casualty insurance against loss or damage to all buildings situated on the Leased Property, in an amount at least equal to the lesser of (a) 100% of the replacement value of the insured buildings, or (b) 100% of the aggregate principal amount of the Outstanding Bonds.

Such insurance must, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, fire and such other hazards as are normally covered by such insurance, and must include earthquake insurance if available at reasonable cost from reputable insurers in the judgment of the City. Such insurance may be subject to such deductibles as the City deems adequate and prudent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance must be applied as provided in the Lease.

Rental Interruption Insurance. Under the Lease, the City is required to procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any portion of the Leased Property constituting buildings or other improvements as a result of any of the hazards covered in the casualty insurance requirements described above, in an amount at least equal to the maximum such Lease Payments coming due and payable during any consecutive two Fiscal Years.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained by the City in the form of self-insurance. The Net Proceeds of such insurance, if any, must be paid to the Trustee and deposited in the Bond Fund, to be applied as a credit towards the payment of the Lease Payments allocable to the insured improvements as they become due and payable.

Title Insurance. On or before the Closing Date the City shall, at its expense, (a) cause the Site Lease, the Assignment Agreement and the Lease, or a memorandum hereof or thereof in form and substance approved by Bond Counsel, to be recorded in the office of the Mendocino County Recorder, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate hereunder in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy must be deposited with the Trustee in the Bond Fund to be credited towards the prepayment of the remaining Lease Payments.

Insurance Net Proceeds; Form of Policies. Each policy of casualty insurance, rental interruption insurance and title insurance maintained under the Lease must name the Trustee as loss payee so as to provide that all proceeds thereunder are payable to the Trustee. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee is given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby.

The City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a certificate of the City stating that all policies of insurance required under the Lease are then in full force and effect. The Trustee has no responsibility for the sufficiency, adequacy or amount of any insurance or self-insurance herein required and is fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

If any liability and property damage insurance maintained under the Lease is provided in the form of self-insurance, the City must file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. If any such insurance is provided in the form of self-insurance by the City, the City has no obligation to make any payment with respect to any insured event except from those reserves.

THE AUTHORITY

The Authority was created as of April 19, 1993, by the City and the Redevelopment Agency of the City of Fort Bragg under a Joint Exercise of Powers Agreement, for the purpose, among others, of having the Authority issue its bonds to help the City finance public capital improvements and working capital. The members of the City Council serve as the governing board of the Authority, and certain City staff serve as the officers of the Authority. The Joint Exercise of Powers Agreement was entered into under Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The Authority is a separate entity constituting a public instrumentality of the State of California.

The Authority covenants in the Indenture to maintain its existence as a joint exercise of powers agency while any Bonds are Outstanding, including by substituting a new member for the Successor Agency if determined to be necessary for such purpose.

THE CITY

General

The City is located in the north-western section of the County, on the Mendocino coast approximately 170 miles north of San Francisco, surrounded by redwood forests and the Pacific Ocean. The County is bounded by the Pacific Ocean to the west, Sonoma County to the south and by Humboldt and Trinity Counties to the north.

The area was first settled as an army post in 1857. The army abandoned the fort in 1864 and in 1867 the lands were opened for settlement. The City developed with the construction of Union Lumber's first mill in 1885. The City was incorporated in 1889 as a general law city. Situated approximately half-way between Eureka and San Francisco, the area offers a blend of natural resources, recreation, and scenery. Fishing, wood products, and tourism are the primary industries of the City.

For additional background, and certain demographic and economic information regarding the City and the County, see APPENDIX B.

City Government

The City is a general law city under California state law and its rights, powers, privileges, authority, and functions are established through the California Constitution. The City operates under the Council-Manager form of government. The five members of the City Council are elected by the voters to serve overlapping four-year terms. The Mayor is elected by, and from, the City Council for a two-year term. The City Council appoints the City Manager who serves at their discretion. The City Council is a policy-setting body that is responsible for, among other things, enacting ordinances, adopting the budget, and appointing committees. Several boards, commissions, and committees assist the City Council and City staff in carrying out various aspects and functions of city government. The members of the City Council also serve as the governing board for the Authority, the Successor Agency to the Fort Bragg Redevelopment Agency and the Fort Bragg Municipal Improvement District No. 1.

The City provides a wide range of services to its residents including public safety services, construction and maintenance of streets and infrastructure, water service, wastewater service, community development, financial management and administrative services. Special districts, agencies and joint power authorities under the jurisdiction of the City provide services such as wastewater treatment and fire protection throughout the City. Other entities not under the City's jurisdiction that provide services to the City's population include the school district, hospital district, recreation district, harbor district, and other special districts.

The current members of the City Council are as follows:

<u>Name and Office</u>	<u>Current Term Expires</u>
Bernie Norvell, <i>Mayor</i>	December 2024
Jessica Morsell-Haye, <i>Vice-Mayor</i>	December 2022
Tess Albin-Smith, <i>Council Member</i>	December 2022
Linda Peters, <i>Council Member</i>	December 2022
Marcia Rafanan, <i>Council Member</i>	December 2022

The City Manager is responsible for directing and supervising the administration of all departments of the City to ensure that laws, ordinances, orders, resolutions, contracts, leases, and franchises are enforced and executed, and for appointing all City employees. Below are brief biographies of the City Manager and City's Clerk.

Tabatha Miller, City Manager. Tabatha Miller joined the City, as City Manager, in March 2018. She has more than 18 years of municipal government experience. In addition to public sector experience, Ms. Miller practiced law for several years in Washington State and worked for a startup legal tech company in Bellevue, Washington. She currently holds an inactive Washington State Bar license. Tabatha came to Fort Bragg from Arizona, she worked as the Administrative Services Director for Lake Havasu City, Arizona, where she oversaw the Finance, Budgeting, Customer Service (Utility Billing), Information Technology and Administrative functions. Her work history also includes serving as the Financial Services Director for Sedona, Arizona, the Finance Director for the Alderwood Water and Wastewater District in Washington State, and the Administrative Services Director for the City of Aspen, Colorado. Ms. Miller is a Certified Public Accountant, has a Bachelor's degree in Accounting from Northern Arizona University in Flagstaff and a J.D. from Gonzaga Law School in Spokane, Washington.

June Lemos CMC, City Clerk. June Lemos was hired by the City as an employee in the Community Development Department in October 2013, after 24 years as a paralegal in a civil litigation law firm in Fort Bragg. She became Acting City Clerk in March 2015 and was appointed City Clerk in July 2015.

CITY FINANCIAL INFORMATION

Budgetary Process and Administration

Annual Budget Adoption. The City operates on a fiscal year basis, starting July 1 and ending June 30. The budget is prepared by the Finance Department under the supervision of the City Manager. The budget process typically begins in January once the audit reports for the prior fiscal year are complete. The Finance Department prepares a Mid-Year Performance Report, and the City Council conducts a Mid-Year Budget Workshop (typically in March). At that workshop, revenue and expense projections are presented for the current fiscal year and the Council provides policy direction to staff regarding preparation of the budget for the coming fiscal year. Following the mid-year workshop, an adopted budget is assembled for the next fiscal year and it is reviewed by the City Council and the public at a budget workshop (typically in May). Following the budget workshop, a revised budget is prepared and transmitted to the City Council in June for further review, public input, deliberation, and adoption prior to the beginning of each new fiscal year (July 1).

Copies of the adopted budget are made available to the general public prior to the City Council's budget workshop. After providing opportunities for public review and discussion at the budget workshops, the budget is adopted by the City Council prior to June 30 at either a regular or special City Council meeting. After adoption, the budget may be amended by City Council resolution.

The City Manager is responsible for proposing to the City Council an annual operating budget and a capital projects budget which are consistent with the Council's service level priorities and sound business practices. The City Manager is also responsible for establishing a system for the preparation, execution, and control of the budget which provides reasonable assurances that the intent of Council policies is met.

The Finance Director (a role currently vacant at the City) is responsible for providing periodic budget status reports to the City Manager, the City Council and Department Heads to facilitate control and compliance with the budget. Department Heads are responsible for monitoring their respective budgets for compliance with the intent of Council priorities and for ensuring that appropriations for their departments are not exceeded.

Long-Term Financial Forecasts. Beginning with the Fiscal Year 2017-18 budget, the City's finance department has prepared a five-year budget forecast for the General Fund. The five-year forecast is updated each year prior to the mid-year budget review meeting. Previously, the document had been a stand-alone document that was presented at the mid-year budget review meeting. Beginning with the Fiscal Year 2019-20 budget, the five-year forecast has been incorporated into the main budget document. The five-year forecast indicates that in the short term, the City will likely be able to fill budgeted or realized deficits with appropriated fund balances. In the long-term, it is likely that revenue enhancements and/or additional cost-cutting measures will be necessary.

Fiscal Policies

General – Types of Policies. The City Council has adopted various fiscal policies for the City. These include operating budget policies, revenue policies, asset forfeiture expenditure policies, debt management policies, capital budget policies, interfund loan policies, fund balance and reserve policies, and investment, accounting, auditing and financial reporting policies. The overall goals of these policies are: (1) to maintain a financially viable City that can maintain an adequate level of municipal services, (2) provide financial flexibility in order to be able to continually adapt to local and regional economic change and (3) to maintain and enhance the sound fiscal condition of the City. For the City's current investment policies and investment portfolio, see “– Investment Policy and Portfolio.”

Reserve Policies – Types of Reserves. The City's Fund Balance and Reserve Policies are intended to ensure the continued financial well-being of the City by planning for unanticipated emergency and contingency needs. The City Council periodically reviews and updates these guidelines to ensure that the City has sufficient resources to adequately provide for emergencies, economic uncertainties, unforeseen operating or capital needs, economic development opportunities, and cash flow requirements.

The City Council may direct any portion of its General Fund, Water Enterprise Fund or Wastewater Enterprise Fund revenue that is not required to balance the annual operating budget to one or more of the following reserves, subject to consistency with the allowable uses of the

enterprise funds. To this end, the City maintains various General Fund reserves for various purposes, including the following:

General Fund Operating Reserve: The City maintains an unrestricted fund balance of at least 15% to 20% of the annual operating expenditures in the General Fund, as an “Operating Reserve” to ensure liquidity of the General Fund and to ensure adequate cash flow throughout the year. This reserve is necessary to accommodate fluctuations in the timing of expenditures and the receipt of revenues. The reserve is committed fund balance and may be tapped into, with Council authorization, for unforeseen operating or capital needs. This reserve is currently funded at 15%.

Litigation Reserve: The City maintains a Litigation Reserve to cover unforeseen legal expenses, including unbudgeted legal, defense and settlement costs that are not covered by the City’s insurance pool. The Litigation Reserve is replenished each year through the budget process. The City Manager approves all charges against this reserve and, on a quarterly basis, the Finance Director reports to the City Council the amount and types of litigation that have been funded by the Litigation Reserve. This reserve is currently funded at \$200,000.

Recession Reserve: The General Fund maintains a Recession Reserve for the purpose of stabilizing the delivery of City services during periods of severe operational budget deficits and to mitigate the effects of major unforeseen changes in revenues and/or expenditures as typically experienced during times of recession. The fund is established at an amount equivalent to 5% of the City’s annual operating budget. City Council approval is required before expending any portion of this committed fund balance. The City satisfied this 5% requirement in Fiscal Year 2020-21 and has budgeted to do so again in Fiscal Year 2021-22.

Financial Forecasting and Modeling. Beginning with the Fiscal Year 2017-18 budget, the City’s finance department has prepared a five-year budget forecast for the General Fund. This forecast is updated each year prior to the mid-year budget review meeting. The City also recently purchased GovInvest software to better model its pension and other long-term liabilities under various scenarios.

City Budgets for Fiscal Years 2020-21 and 2021-22

Adopted Budget for Fiscal Year 2020-21. The City’s budget for Fiscal Year 2020-21 was adopted by the City Council on June 29, 2020. The City has three major operating funds: General Fund; Water Enterprise; and Wastewater Enterprise. In addition, the City’s accounts includes the C.V. Starr Center Enterprise, special revenue funds, grant funds, capital project funds and internal service funds. The General Fund is the principal operating fund of the City and is supported primarily by taxes and fees that generally do not have restrictions on their use. Because of the lack of restrictions on use of funds, the General Fund has the most demands on its limited dollars. The enterprise funds (Water and Wastewater) are fully supported by user fees. Special revenue funds and accounts are used to account for proceeds of a specific revenue source that has legal restrictions on how the funds may be spent.

The City’s total proposed expenditure budget (excluding transfers) for Fiscal Year 2020-21 was \$24.1 million (all funds, not just General Fund). This was a decrease of 45.5% from the amended Fiscal Year 2019-20 Budget of \$44.3 million. The \$20.1 million decrease was primarily due to expected completion of the \$18 million Wastewater Treatment Facility Upgrade at the end of Fiscal Year 2019-20. Capital expenditures for Fiscal Year 2020-21 were budgeted at \$16.7 million less than the prior year. The expenditure reductions in response to the COVID-19

economic impact are reflected in the remaining categories. Excluding capital, expenditures are budgeted at 12.5% or \$3.5 million less than Fiscal Year 2019-20. The General Fund 2005 Refunding & Landfill Closure Certificates of Participation were paid off in Fiscal Year 2019-20, eliminating a \$146,569 annual debt service payment and accounting for the reduction of debt.

Adopted Budget for Fiscal Year 2021-22. The City's budget for Fiscal Year 2021-22 was adopted by the City Council on June 14, 2021. The City's total proposed expenditure budget (excluding transfers) for Fiscal Year 2021-22 is \$30.7 million (all funds, not just General Fund). This is an increase of 3.7% from the amended Fiscal Year 2020-21 budget. The largest percentage increase is staffing cost. In April 2020, the City made significant reductions to staffing. Four positions were eliminated, two positions were frozen, voluntary pay reductions were taken by the Police Department and the City Manager, and hours for 12 employees were reduced. Over the course of the last year, revenues rebounded or performed better than expected, as a result, staff pay and hours increased and some staffing restored. As these measures were implemented mid-year, the full annual impact of these costs will not be recognized until Fiscal Year 2021-22.

Impact of COVID-19 Pandemic. As a City that relies heavily on tourism, the General Fund was adversely impacted by the "shelter-in-place" orders enacted at the beginning of the COVID-19 pandemic. In particular, the City's TOT revenues declined significantly. To offset the reduced revenues, the City made significant reductions to staffing (hours and pay) during Fiscal Year 2019-20.

During Fiscal Year 2020-21, TOT revenues have rebounded, allowing the City sufficient resources to increase some staff hours and pay. At the same time, sales tax revenues and property tax revenues have held steady for the City. Finally, the City has been receiving federal grant assistance from the Coronavirus Aid, Relief and Economic Security Act of 2019 (CARES Act) and American Rescue Plan Act of 2021 (ARPA), which offset certain revenue losses.

The COVID-19 pandemic remains ongoing and no assurance can be given that the City's General Fund finances will not be adversely impacted in the future as a result. See "BOND OWNERS' RISKS – COVID-19 Pandemic."

Adopted Budget Comparison (General Fund Only). The table below shows the City's 2020-21 amended adopted operating budget revenues and expenditures for the General Fund for Fiscal Year, the estimated Fiscal Year 2020-21 budget and Fiscal Year 2021-22 Adopted Budget.

**TABLE 1
City of Fort Bragg General Fund Budget Summary
Fiscal Years 2020-21 and 2021-22**

	2020-21 Amended Budget	2020-21 Estimated	2021-22 Adopted Budget
Revenues			
Property Tax	\$1,097,613	\$1,114,568	\$1,159,533
Sales Tax	1,786,441	1,995,831	1,866,846
Transient Occupancy Tax	2,763,000	3,298,229	2,764,742
Other Taxes	774,749	816,888	779,500
Total Taxes Revenues	6,421,803	7,225,516	6,570,621
Reimbursements	2,353,281	2,125,000	2,685,200
Charges for service	54,464	54,051	57,000
Intergovernmental	444,744	125,604	489,212
Licenses and permits	89,792	85,304	93,702
Other revenues	295,465	55,000	18,500
Use of money and property	39,454	37,085	27,020
Fines and forfeitures	13,900	8,532	36,200
Total Other Revenues	3,291,100	2,490,577	3,406,834
Total General Fund Revenues	9,712,903	9,716,093	9,977,455
Expenditures			
Salaries and wages	3,406,905	3,397,000	3,661,372
Benefits	2,639,202	2,387,000	2,761,246
Materials and services	2,237,194	1,903,000	2,492,958
Other expenditures	147,625	135,000	321,950
Debt Service	--	--	--
Allocations	789,222	785,000	686,132
Net Transfers	(87,907)	(64,000)	37,964
Total Expenditures	\$9,132,241	\$8,543,000	\$9,961,623

Source: City of Fort Bragg - 2021-22 Adopted Budget.

Financial Statements

Overview. Set forth in the following tables are the City's General Fund balance sheets and statements of revenues, expenditures and changes in General Fund Balance for fiscal years 2015-16 through 2019-20, which are based on the City's audited financial statements. The balance sheets and statements presented in this Official Statement are subject to the various notes attached to the City's financial statements for the respective years. The City's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2019-20, including the City's audited financial statements, is set forth in Appendix A.

TABLE 2
City of Fort Bragg
General Fund Balance Sheets
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
<u>Assets</u>					
Cash and investments	\$3,401,859	\$1,510,777	\$1,697,469	\$2,063,444	\$709,968
Receivables:					
Taxes	3,779	3,772	2,033	1,354	4,100
Loans/Notes receivable	1,951	2,871	6,867	5,323	1,746
Other receivable	1,046,563	879,843	881,715	733,570	792,589
Due from other funds	1,529,747	974,427	695,756	707,023	1,407,841
Prepaid items	--	--	86,605	1,171	960
Advances to other funds	63,459	--	--	--	--
Inventory	2,595	1,143	828	2,376	--
Total Assets	6,049,953	3,372,833	3,371,273	3,514,261	2,917,204
<u>Deferred Outflow of Resources</u>					
Due to wastewater enterprise	--	--	150,093	--	--
Total Deferred Outflow of Resources	--	--	150,093	--	--
<u>Liabilities</u>					
Accounts payable and accrued liabilities	614,033	221,181	430,640	211,057	153,979
Accrued payroll	--	--	85,869	94,412	--
Due to other funds	--	--	--	--	--
Deposits payable	47,426	44,718	45,384	67,166	71,983
Total Liabilities	661,459	265,899	561,893	372,635	225,962
<u>Fund Balances</u>					
Nonspendable:					
Prepays and inventory	2,595	1,143	87,433	3,547	960
Loans/Notes receivable	--	2,871	6,867	5,323	1,746
Advances to other funds	63,459	--	--	--	--
Restricted					
Committed	4,532,444	2,134,700	1,693,597	1,681,783	2,159,716
Assigned	--	--	--	--	--
Unassigned	789,996	968,220	1,171,576	1,450,973	528,820
Total Fund Balance	5,388,494	3,106,934	2,959,473	3,141,626	2,691,242
Total Liabilities & Fund Balance	\$6,049,953	\$3,372,833	\$3,521,366	\$3,514,261	\$2,917,204

Source: City of Fort Bragg - audited financial statements for fiscal years 2015-16 through 2019-20.

TABLE 3
City of Fort Bragg
Statements of Revenues, Expenditures and Changes in General Fund Balance
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues					
Taxes and assessments	\$5,012,651	\$5,386,343	\$6,157,805	\$6,205,593	\$5,883,634
Licenses and permits	272,924	91,339	124,830	124,929	97,307
Fines and forfeitures	18,140	30,723	34,563	70,097	59,561
Intergovernmental	33,466	9,752	35,338	14,231	173,996
Use of money and property	44,011	(22,602)	(110,374)	261,030	260,697
Charges for services	206,855	175,628	63,296	70,403	44,889
Reimbursements	3,413,306	2,344,789	2,690,623	2,452,787	2,335,292
Operating grant revenue	--	--	120,795	144,628	--
Other revenues	112,311	194,760	78,946	37,230	22,466
Total Revenues	9,113,664	8,210,732	9,195,822	9,380,928	8,877,842
Expenditures					
Current:					
General Government	2,655,894	2,508,782	2,842,694	2,511,230	2,080,122
Public safety	3,670,183	3,866,396	4,108,263	3,949,089	4,341,045
Public works	1,596,338	1,621,066	1,674,260	1,765,323	1,549,986
Community development	405,360	453,455	642,548	773,312	498,338
Marketing and promotions	--	--	--	--	185,621
Cost allocations	--	--	--	--	474,904
Capital outlay:					
Debt Service: principal	121,418	126,509	168,825	174,556	180,427
Debt Service: interest and fiscal charges	26,152	21,060	16,708	10,977	5,106
Total expenditures	8,475,345	8,597,268	9,453,298	9,184,497	9,315,549
Excess (deficiency) of revenues over (under) expenditures	638,319	(386,536)	(257,476)	196,441	(437,707)
Other financing sources(uses)					
Proceeds from sales of assets	40	--	--	--	5,552
Transfers in	73,276	285,025	198,789	84,107	490,302
Transfers out	(80,930)	(2,180,049)	(88,775)	(98,396)	(508,531)
Total other financing sources	(7,614)	(1,895,024)	110,014	(14,289)	(12,677)
Net Change in fund balances	630,705	(2,281,560)	(147,462)	182,152	(450,384)
Beginning of year	4,757,789	5,388,494	3,106,935	2,959,474	3,141,626
End of year	\$5,388,494	\$3,106,934	\$2,959,473	\$3,141,626	\$2,691,242

Source: City Finance Department and City of Fort Bragg - audited financial statements for fiscal years 2015-16 through 2019-20.

Revenues Available for Lease Payments

The City will make Lease Payments on each Lease Payment Date from moneys held in the General Fund that are available for general government purposes. The following table shows such revenues received by the City for fiscal years 2017-18 through 2019-20.

TABLE 4
City of Fort Bragg
General Fund Revenues by Revenue Source
Fiscal Years 2017-18 through 2019-20

Category	2017-18		2018-19		2019-20	
	Revenues	% of Total	Revenues	% of Total	Revenues	% of Total
<u>Taxes and revenues</u>						
<u>Taxes</u>						
Property taxes	\$1,034,552	11.3%	\$1,074,933	11.5%	\$1,107,039	12.5%
Sales taxes	1,785,264	19.4	1,728,222	18.4	1,797,520	20.2
Transient occupancy tax	2,619,227	28.5	2,640,276	28.1	2,204,152	24.8
Other taxes	718,762	7.8	762,062	8.1	774,923	8.7
Licenses and permits	124,830	1.4	124,929	1.3	97,307	1.1
Fines and forfeitures	34,563	0.4	70,097	0.7	59,561	0.7
Intergovernmental	35,338	0.4	14,231	0.2	173,996	2.0
Use of money and property	(110,374)	(1.2)	261,030	2.8	260,697	2.9
Charges for services	63,296	0.7	70,403	0.8	44,889	0.5
Reimbursements	2,690,623	29.3	2,452,787	26.1	2,335,292	26.3
Operating grant revenue	120,795	1.3	144,628	1.5	--	--
Other revenues	78,946	0.9	37,230	0.4	22,466	0.3
Total Revenues⁽¹⁾	\$9,195,822	100.0%	\$9,380,828	100.0%	\$8,877,842	100.0%

(1) Totals may not add due to rounding.

Source: City of Fort Bragg - audited financial statements 2017-18 through 2019-20

Reimbursements

As shown in Table 4, for the past three fiscal years for which audited financial statements are available, reimbursements have accounted for the largest source of revenue to the General Fund.

This category consists of revenues transferred into the General Fund as reimbursement for the provision of General Fund personnel in internal support departments (such as Administrative Services, Finance, Human Resources, City Clerk, and City Council), who provide services to Enterprise and Internal Service Funds. The costs for these services are recovered through the cost allocation plan charges reimbursable to the General Fund. The Fiscal Year 2021-22 estimate for Reimbursements is \$2.6 million and reflects the growth of 14% percent from the Fiscal Year 2020-21 Adopted Budget of \$2.3 million; this is primarily attributable to direct allocation of Corporation Yard costs to non-General Fund activities and the increase in support for non-General Fund activities.

Transient Occupancy Tax

Transient occupancy tax ("TOT") revenues are typically the second-largest source of General Fund revenues, and the largest tax source. Based on preliminary, unaudited results for

Fiscal Year 2021-22, the City anticipates its TOT collections will significantly surpass collections received prior to the start of the COVID-19 pandemic. Although there is no exact explanation for this outcome, the fact that the City is located in a remote part of the State, with abundant outdoor activities, make it a particularly appealing destination during COVID-19.

TOT is a local tax that is applied to the cost of a hotel or other lodging stays of less than 30 days. With the passage of local Measures AA and AB in November 2016, the City's TOT rate increased from 10% to 12%, without a sunset date. This tax is a revenue source solely for the General Fund. TOT is collected by lodging establishments and remitted to the City monthly. Factors influencing TOT revenues include vacancy rates, business and leisure travel changes, new hotels, hotel expansion, and room rate increases. Based on projections for Fiscal Year 2021-22, TOT is expected to be the largest General Fund revenue source, accounting for 31% of revenue.

In March 2020, shelter in place orders coupled with county-based health and safety decisions triggered immediate closure of businesses and restricted travel. The City is a tourist-based economy and depends heavily on tourism for its revenue. TOT accounted for 29% of General Fund Revenues and had the largest reduction due to COVID-19 in Fiscal Year 2019-20, recording a budget shortfall of \$660,000.

TOT revenues rebounded in Fiscal Year 2020-21 and are estimated to have been approximately \$123,000 higher than Fiscal Year 2018-19 totals (pre-pandemic), recording its best year to date. This represents an increase of 4.3% in this sector of the local economy.

The Fiscal Year 2021-22 Budget projections of \$2.76 million are relatively conservative. As the economy starts to open up with the loosening of COVID restrictions, other tourist destinations around the country and internationally may impact the annual numbers, especially during the slower seasons of the year. Staff projected the same levels for Fiscal Year 2021-22 as Fiscal Year 2020-21 in the adopted budget, but as noted above, based on estimates for Fiscal Year 2020-21, the amount of TOT is anticipated to surpass budgeted amounts.

Sales & Use Taxes

Sales & Use Taxes typically represent the second largest source of tax revenues to the City's General Fund, accounting for approximately 20% of total General Fund revenues over the past three fiscal years. Sales & uses taxes are less stable sources of revenues to the City, given that they are based on consumer spending within the City which is impacted by a variety of factors including the overall economy and other factors. However, sales tax revenues in Fiscal Year 2021-22 are expected to increase compared to the previous fiscal year receipts by approximately 4.5%. See "BOND OWNERS' RISKS – COVID-19 Pandemic."

State-Wide Sales Tax Law. Taxable transactions in the City are currently subject to the following sales and use tax, of which the City's share is only a portion. The City collects a percentage of taxable sales in the City (minus certain administrative costs) pursuant to the Bradley-Burns Uniform Local Sales and Use Tax (the "**Sales Tax Law**"). The State collects and administers the sales tax under the Sales Tax Law, and makes distributions on taxes collected within the City, as shown in the following table.

**TABLE 5
City of Fort Bragg
Sales Tax Rate
Effective July 1, 2021**

Statewide Rate	7.250%
Mendocino County Mental Health Treatment Act Tax	0.500
Mendocino Library Special Transactions and Use Tax	0.125
City of Fort Bragg CV Starr Center Special Transactions and Use Tax	0.500
City of Fort Bragg Maintain City Streets Transactions and Use Tax	<u>0.500</u>
Total	8.875%

Source: City of Fort Bragg Finance Department.

Sales and use taxes are complementary taxes; when one applies, the other does not. In general, the statewide sales tax applies to gross receipts of retailers from the sale of tangible personal property in the State. The use tax is imposed on the purchase, for storage, use or other consumption in the State of tangible personal property from any retailer. The use tax generally applies to purchases of personal property from a retailer outside the State where the use will occur within the State. The sales tax is imposed upon the same transactions and items as the statewide sales tax and the statewide use tax.

Certain transactions are exempt from the State sales tax, including sales of the following products:

- food products for home consumption;
- prescription medicine;
- newspapers and periodicals;
- edible livestock and their feed;
- seed and fertilizer used in raising food for human consumption; and
- gas, electricity and water when delivered to consumers through mains, lines and pipes.

This is not an exhaustive list of exempt transactions. A comprehensive list can be found in the State Board of Equalization's Publication No. 61 (February 2017) entitled "Sales and Use Taxes: Exemptions and Exclusions," which can be found on the State Board of Equalization's website at <http://www.boe.ca.gov/>. *The reference to this Internet website is provided for reference and convenience only. The information contained within the website may not be current, has not been reviewed by the City and is not incorporated in this Official Statement by reference.*

City of Fort Bragg Sales and Use Tax Measures (Not Available to General Fund). As shown in Table 5 above, voters in the City have passed two supplemental sales and use tax measures. Both of these measures are special tax measures, which means the funds are restricted to the uses approved in the measure and are not available to the General Fund or the payment of lease payments by the City which secure the repayment of the Bonds.

CV Starr Center Special Transactions and Use Tax. In 2012, voters in the City approved by the required 2/3 vote, a special transactions and use tax of 0.5% to provide a source of revenue for operation, maintenance and capital improvements at the C.V.

Starr Community Center. The revenue generated by the taxes is restricted to those uses and not available to the General Fund. There is no sunset date.

Maintain City Streets Transactions and Use Tax. In 2014, voters in the City approved by the required 2/3 vote, a special transactions and use tax of 0.5% to provide a source of revenue for repairing, maintaining and reconstructing City streets. This constituted the re-approval of a 0.5% sales tax authorized by the voters in 2004 that was set to expire on December 31, 2014. The revenue generated by the special tax is restricted to those uses and not available to the General Fund. The tax became operative on January 1, 2015 and expires, unless re-authorized by the voters, on December 31, 2024.

Sales Tax Collection Procedures. Collection of the sales and use tax is administered by the California Department of Tax and Fee Administration (the “**CDTFA**”). This process was formerly administered by the State Board of Equalization. The Taxpayer Transparency and Fairness Act of 2017, which took effect July 1, 2017, restructured the State Board of Equalization and separated its functions among three separate entities: the State Board of Equalization, the CDTFA and the Office of Tax Appeals. The State Board of Equalization will continue to perform the duties assigned to it by the State Constitution, while all other duties will be transferred to the newly established CDTFA and the Office of Tax Appeals. CDTFA will handle most of the taxes and fees previously collected by the State Board of Equalization, including sales and use tax.

Under the Sales and Use Tax Law, all sales and use taxes collected by the CDTFA under a contract with any city, city and county, or county are required to be transmitted by the CDTFA to such city, city and county, or county periodically as promptly as feasible. These transmittals are required to be made at least twice in each calendar quarter.

Under its procedures, the CDTFA projects receipts of the sales and use tax on a quarterly basis and remits an advance of the receipts of the sales and use tax to the City on a monthly basis. The amount of each monthly advance is based upon the CDTFA’s quarterly projection. During the last month of each quarter, the CDTFA adjusts the amount remitted to reflect the actual receipts of the sales and use tax for the previous quarter.

The CDTFA receives an administrative fee based on the cost of services provided by the Board to the City in administering the City’s sales tax, which is deducted from revenue generated by the sales and use tax before it is distributed to the City.

As part of the State government’s response to the COVID-19 pandemic, certain businesses were able to defer the payment of their sales taxes due to the City.

Historic Taxable Transactions. The following table shows historical taxable transactions in the City for the most recent five years available.

TABLE 6
City of Fort Bragg
Taxable Transactions
Fiscal Years 2015 through 2019⁽¹⁾
(In Thousands)

	2015	2016	2017	2018	2019
Motor Vehicle and Parts Dealers	\$11,220	\$11,150	\$11,412	\$12,382	\$11,173
Home Furnishings and Appliances	6,713	6,803	6,479	5,308	3,759
Building Materials	21,544	21,167	22,005	22,883	24,863
Food and beverage stores	21,787	22,138	22,859	23,410	23,216
Gasoline stations ⁽²⁾	--	--	--	19,385	19,868
Apparel stores	3,435	3,542	3,512	3,246	2,933
General merchandise stores ⁽²⁾	--	--	--	--	--
Food services and drinking places	22,557	25,869	26,101	25,303	24,394
Other retail stores ⁽³⁾	34,187	33,302	39,850	22,713	22,439
All other outlets	22,777	19,707	16,751	20,079	21,762
Total All Outlets	\$144,220	\$143,678	\$148,968	\$154,709	\$154,408

(1) Most current information available.

(2) Sales omitted because their publication would result in the disclosure of confidential information.

(3) Adjusted for disclosure.

Source: California Department of Tax and Fee Administration.

Top Sales Tax Producers in the City (Q1, 2021). The City's top 25 sales tax producers for the first quarter of 2021 include household names in retail, food products and automotive, as well as local names in construction. These include: Arco AM/PM Mini Marts, Canclini TV & Appliance, Chevron Service Stations, CVS/Pharmacy, Dollar Tree Stores, Geo Aggregates, Harvest Market, Kemppe Liquid Gas, McDonald'S Restaurants, Mendo Mill & Lumber Company, Mendocino County Horticulture Supply, O'Reilly Auto Parts, Purity Supermarket, Redwood Coast Fuels, Rino Service Stations, Rite Aid Drug Stores, Rossi Building Materials, Safeway Stores, Sinclair Service Stations, Sport Chrysler-Jeep-Dodge, Taco Bell, The Brewery Shop, True Value Hardware, Two Short Sales, and US Cellular

Recent Trend in Sales Tax Receipts (Q1, 2021). The City's sales tax cash receipts have rebounded since their 2020 lows. For the first quarter of 2021, cash receipts recorded were 47.7% greater than for the first quarter of 2020, which was impacted by the COVID-19 pandemic. See "BOND OWNERS' RISKS – COVID-19 Pandemic."

In addition, for the first quarter of 2021, the City's construction business saw a substantial increase (15%) in business activity compared with the prior quarter (fourth quarter 2020).

Property Taxes

Property Taxes typically represent the third-largest sources of taxes to the City's General Fund, after TOT and sales/use taxes. Property taxes represent a very stable source of revenue to the City, and are based in large part on assessed valuations of property located in the City.

General Method of Property Tax Calculations. Proposition 13, passed in 1978, established the current property tax regime for local agencies, including the City, throughout the

State. Under Proposition 13, subject to voter-approved debt and certain other exceptions, the base property tax rate on a parcel is limited to 1% of its assessed value and the property tax collected by this 1% County-wide rate is shared by the local agencies eligible to receive property taxes within the applicable County pursuant to applicable State law. Under Proposition 13, the 1975-76 fiscal year serves as the original base year used in determining the assessment for real property. Thereafter, annual increases to the base year value are limited to the inflation rate, as measured by the California Consumer Price Index, or 2%, whichever is less. A new base year value, however, is also established whenever a property, or portion thereof, has had a change in ownership or has been newly constructed. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIII A of the State Constitution” for additional information.

Proposition 8, enacted in 1978, allows for a temporary reduction in assessed value when a property suffers a “decline-in-value.” As of the January 1st (lien date) each year, the Assessor must enroll either a property’s Proposition 13 value (adjusted annually for inflation by no more than 2%) or its current market value, whichever is less. When the current market value replaces the higher Proposition 13 value, the lower value is commonly referred to as a “Proposition 8 Value.” “Proposition 8 values” are temporary and, once enrolled, must be reviewed annually by the assessor until the Proposition 13 adjusted base year value is enrolled.

The California Tax on Commercial and Industrial Properties for Education and Local Government Funding Initiative has qualified to appear on the ballot in California as an initiated Constitutional amendment on November 3, 2020. The ballot initiative would amend the State Constitution to require commercial and industrial properties, except those zoned as commercial agriculture, to be taxed based on their market value. The proposal to assess taxes on commercial and industrial properties at market value, while continuing to assess taxes on residential properties based on purchase price as described above, is known as “split roll.” At this time, the City is unable to determine the likelihood of passage of the measure or the impact on the City’s property tax receipts from passage.

Levy and Collection of Property Taxes. Property taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property the taxes on which have a viable tax lien, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and may be sold at public auction.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office

of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation shifted the function of property tax allocation to the counties, except for levies to support prior voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

Property Tax Delinquencies; Teeter Plan. Certain counties in the State of California, including Mendocino, offer a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County includes the City's property tax collections in its Teeter Plan. Consequently, the City's receipt of property taxes is equal to 100% of the amount levied. There is no assurance that the County will continue the Teeter Plan or that the City will continue to participate in the Teeter Plan. Delinquencies in the payment of property taxes could have an adverse effect on the ability of the City to make Lease Payments should the County discontinue the Teeter Plan or the City withdraw from or not be able to continue in the Teeter Plan.

Historical Assessed Valuations. The table below presents the assessed valuation of taxable property in the City from fiscal year 2011-12 through fiscal year 2020-21.

TABLE 7
City of Fort Bragg
Assessed Value of Taxable Property
Fiscal Years 2011-12 through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total	%Change
2011-12	\$599,428,092	\$670,398	\$29,066,082	\$629,164,572	--%
2012-13	580,688,136	542,898	31,513,002	612,744,036	(2.6)
2013-14	587,075,839	542,898	29,641,958	617,260,695	0.7
2014-15	591,097,766	542,898	31,347,420	622,988,084	0.9
2015-16	608,049,999	542,898	31,275,021	639,867,918	2.7
2016-17	625,781,694	340,398	32,888,518	659,010,610	3.0
2017-18	646,701,984	0	32,287,835	678,989,819	3.0
2018-19	671,742,268	0	31,556,201	703,298,469	3.6
2019-20	695,443,412	0	33,240,033	728,683,445	3.6
2020-21	715,598,160	0	33,148,563	748,746,723	2.8

Source: California Municipal Statistics, Inc.

Assessed Valuations and Parcels by Land Use. The following table shows secured assessed valuations and parcels by land use for fiscal year 2020-21. As shown in the table, approximately 81% of the parcels in the City, representing almost 67% of the assessed valuation in the City, has residential uses. The local secured assessed valuation does not tie to Table 5 given a different source of the data.

Table 8
City of Fort Bragg
Secured Assessed Valuation and Parcels by Land Use
Fiscal Year 2020-21

	2020-21	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Commercial	\$118,530,128	16.56%	270	10.00%
Vacant Commercial	8,989,159	1.26	59	2.19
Hotel/Motel	61,619,110	8.61	44	1.63
Industrial	39,219,257	5.48	37	1.37
Vacant Industrial	2,803,166	0.39	20	0.74
Government/Social/Institutional	4,977,545	0.70	38	1.41
Miscellaneous	<u>1,034,763</u>	<u>0.14</u>	<u>46</u>	<u>1.70</u>
Subtotal Non-Residential	\$237,173,128	33.14%	514	19.04%
<u>Residential:</u>				
Single Family Residence	\$404,800,390	56.57%	1,739	64.41%
Mobile Home	6,292,450	0.88	73	2.70
Mobile Home Park	4,790,573	0.67	6	0.22
2+ Residential Units	52,138,931	7.29	209	7.74
Vacant Residential	<u>10,402,688</u>	<u>1.45</u>	<u>159</u>	<u>5.89</u>
Subtotal Residential	\$478,425,032	66.86%	2,186	80.96%
Total	\$715,598,160	100.00%	2,700	100.00%

(1) Local Secured Assessed Valuation, excluding tax exempt property.
Source: California Municipal Statistics, Inc.

Principal Property Taxpayers. The top twenty largest local secured property taxpayers in the City, as shown on the 2020-21 secured tax roll, are listed in the table below. For fiscal year 2020-21, the total assessed valuation of the twenty largest local secured taxpayers is 16.46% of the total City fiscal year 2020-21 assessed valuation of \$117,777,215. See “–Property Taxes” above for additional information on the levy and collection of property taxes in the City. The local secured assessed valuation does not tie to Table 5 given a different source of the data.

TABLE 9
City of Fort Bragg
Principal Property Taxpayers (Secured Roll)
Fiscal Year 2020-21

	<u>Property Owner</u>	<u>2020-21 Primary Land Use</u>	<u>% of</u>	
			<u>Assessed Valuation</u>	<u>Total (1)</u>
1.	Mendocino Railway LLC	Industrial Land	\$17,067,924	2.39%
2.	Rap Investors LP	Hotel/Motel	11,727,177	1.64%
3.	The Boatyard Associates Phase II	Shopping Center	10,666,731	1.49%
4.	Georgia Pacific Corporation	Timber/Re-Use Development	9,539,030	1.33%
5.	Safeway Inc.	Commercial	7,148,356	1.00%
6.	Ghulam Murtaza & Tenzila Ansari	Hotel/Motel	5,598,491	0.78%
7.	Jeanette Colombi, Trustee	Hotel/Motel	5,167,228	0.72%
8.	Jason S. Hurst	Hotel/Motel	5,003,053	0.70%
9.	Tanti Family II LLC	Hotel/Motel	4,737,667	0.66%
10.	Kuami Kao	Hotel/Motel	4,684,566	0.65%
11.	Kashi Keshav Investments LLC	Hotel/Motel	4,443,280	0.62%
12.	Grosvenor Van Ness Associates	Multi-Family Residential	4,370,400	0.61%
13.	Longs Drug Stores California LLC	Commercial	4,073,878	0.57%
14.	Ronald R. Ray, Trustee	Industrial	4,023,757	0.56%
15.	Fort Bragg Hotel LLC	Hotel/Motel	3,773,139	0.53%
16.	Michael V. & Dona H. Lee, Trustees	Multi-Family Residential	3,482,324	0.49%
17.	Richard J. & Julie Keaton	Hotel/Motel	3,379,927	0.47%
18.	Fort Bragg Investments LLC	Hotel/Motel	3,227,961	0.45%
19.	Moura Senior Housing	Multi-Family Residential	2,846,694	0.40%
20.	Kemppe Liquid Gas Corporation	Industrial	<u>2,815,632</u>	<u>0.39%</u>
			\$117,777,215	16.46%

(1) The total City secured assessed valuation for fiscal year 2020-21 is \$715,598,160.
Source: California Municipal Statistics, Inc.

New Developments. The City has various community projects and new developments underway. Below is a brief description of some of the developments and projects.

The Coastal Trail Project. The City has completed Phase I and Phase II of the Fort Bragg Coastal Trail & Restoration project which was funded with a \$1.36 million grant from the State Coastal Conservancy, a \$4.8 million grant from the Statewide Park Program (Prop 84 funding), and a \$348,000 grant from Caltrans. Phase I includes 4.5 miles of trail on 82 acres of the old Georgia-Pacific mill site, 30+ acres of industrial land restored to its former natural beauty, three restrooms, two parking lots, 14 interpretive signs, two welcome plazas, and 14 unique benches designed by local artists. The second phase of the Coastal Trail provides an additional mile of trail on a ten mile strip that connects the north and south trail around the Georgia Pacific mill pond. This project also included restoration, artist benches, interpretive panels and stairs to the beach at Fort Bragg Landing.

Solid Waste Transfer Station. This project is the construction and operation of a municipal solid waste transfer station serving the City and the surrounding unincorporated coastal area of

Mendocino County extending from the town of Westport to the Navarro River. The proposed transfer station location is within a 17-acre portion of JDSF, adjacent to State Route 20, at 30075 SR 20, Fort Bragg, California, and is 3.0 miles east of the intersection of State Highway 1 and SR 20

Wastewater Treatment Facility and Sewer Pump Station Improvements and Upgrade. In spring/early summer 2020, the City completed an \$18 million upgrade to the City's Wastewater Treatment Facility to improve the level of treatment and increase the plant's reliability. An additional \$1.3 Million rehabilitated three of the City's older sewer lift stations.

Raw Water Line Replacement Projects. Although portions of the City's raw water transmission main from the City's Water sources to the water treatment plant have been replaced over the years, approximately 15k feet of pipe is in need of replacement. Design work for the next three phases is underway and construction is expected to start in 2022.

Other Sources of Revenues

Franchise Fees. Franchise fees are a regulatory fee charged to utility companies for the privilege of doing business in the City (i.e.: garbage franchise fee, gas and electric franchise fee).

Service and Program Charges. Service and program charges include the Intergovernmental, Charges for Services, and Reimbursements categories. Revenue for Service and Program Charges represents about 32% of projected General Fund revenues in Fiscal Year 2021-22.

Intergovernmental. This category comprises of reimbursement of employee staff time spent administering grants and is expected to double in the fiscal year as many Grant programs including CDBG 2020 and COVID Assistance related grants are being launched. Charges for service are expected to increase by \$3,000 due to an anticipated increase in permits and licenses as the economy opens back up.

Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report for the City (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated as of August 1, 2021. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long-term obligations issued by a public agency are payable from the general fund or other revenues of such public agency. The total 2020-21 assessed valuation of \$748,746,723 reflected in the Debt Report is provided by California Municipal Statistics, Inc. Neither the City, the Authority nor the Underwriter has verified this information.

TABLE 10
City of Fort Bragg
Direct and Overlapping Debt Statement
(as of August 1, 2021)

2020-21 Assessed Valuation: \$748,746,723

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt</u>
Redwoods Joint Community College District	0.037%	\$808,967
Fort Bragg Unified School District	37.771	14,663,083
Mendocino Coast Hospital District	20.611	824,940
City of Fort Bragg	100.000	0⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$16,296,990
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Mendocino County Certificates of Participation	5.925%	\$871,568
Mendocino County Pension Obligation Bonds	5.925	<u>2,009,464</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$2,881,032
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100.000%	\$3,180,000
DIRECT DEBT		\$0
TOTAL OVERLAPPING DEBT		\$22,358,022
COMBINED TOTAL DEBT		\$22,358,022 ⁽²⁾

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$0).....	0.00%
Total Direct and Overlapping Tax and Assessment Debt .	2.18%
Combined Total Debt	2.99%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$226,369,919):

Total Overlapping Tax Increment Debt	1.40%
--	-------

(1) Excludes Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Long-Term Obligations Payable Out of General Fund

The City does not currently have any long-term debt obligations payable from the General Fund.

However, under the City's contract with CalPERS, the City is obligated to make certain payments to CalPERS in respect to retired public safety and miscellaneous employees under the Side Fund program of CalPERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.0%, and annual payments are paid from the revenue of the General Fund. The initial side fund obligation amount was \$497,479, with a retirement in the amount of \$183,803 for the year end June 30, 2020. The amount is paid in July of each year as provided by CalPERS, therefore no maturity schedule is available for this debt. For additional information on CalPERS, see "– Pension Plans," herein.

Investment Policy and Portfolio

The City's investment policy covers the investment activities of all contingency reserves and inactive cash under the direct authority of the City and Municipal Improvement District No. 1. The policy focuses on the City's pooled funds but also apply to all other funds under the City

Treasurer’s span of control unless exempted by resolution or statute. Investments for the City and its component units will be made on a pooled basis including, but not limited to, the City of Fort Bragg, Municipal Improvement District No. 1 and Fort Bragg Redevelopment Successor Agency. The Finance Director/City Treasurer annually renders an investment policy for City Council’s review and modification as appropriate. The review must take place at a public meeting and the policy must be adopted by resolution of the City Council.

City funds and the investment portfolio are managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order. Reports on the City’s investment portfolio and cash position are developed by the Finance Director/City Treasurer and reviewed by the Finance & Administration Committee and the City Council at first quarter, mid-year and fiscal year end. Generally Accepted Accounting Principles require that differences between the costs of the investment portfolio and the fair value of the securities be recognized as income or losses in a government’s annual financial report. These variances should not be considered as budgetary resources or uses of resources unless the securities are sold before maturity or the values of the investments are permanently impaired. For additional information concerning the City investments, see “APPENDIX A – Audited Financial Statements for Fiscal Year Ended June 30, 2019 – Cash and Investments.”

The following table summarizes the City’s investment portfolio as of July 30, 2020.

TABLE 11
City of Fort Bragg
Summary of Investment Portfolio
as of July 30, 2020

<u>Investment Type</u>	<u>Fair Value</u>
Certificates of Deposit	\$7,189,141
Money Market Funds	108,064
LAIF	4,426,957
Total Fair Value	\$11,724,162

Source: City of Fort Bragg

Employee Relations

The City’s relations with its employees are generally considered good, and the City has not experienced a work stoppage or similar event in the past 5 years. The City has two recognized employee organizations. Certain other employees of the City are unrepresented.

<u>Bargaining Unit</u>	<u># of Employees</u>	<u>MOU Expiration Date</u>
Fort Bragg Police Officer Association	17	06/30/2024
Fort Bragg Organization/Service Employees International Union Local 1021	24	06/30/2022

Source: City of Fort Bragg

Pension Plans

This caption contains certain information relating to California Public Employees’ Retirement System (“CalPERS”). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The City has not independently verified

the information provided by CalPERS and makes no representations and expresses no opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference in this Official Statement. None of the Authority, City or Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

General Information about the Pension Plans. All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans ("**Plan**") administered by CalPERS. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

PEPRA. On September 12, 2012, the California Governor signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2012 ("**PEPRA**") and that also amended various sections of the California Education and Government Codes, including the County Employees Retirement Law of 1937. Effective January 1, 2013, PEPRA: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases. Other provisions reduce the risk of the City incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The provisions and benefits of each Plan that were in effect at June 30, 2020, are summarized as follows:

Classic Plans

	<u>Miscellaneous</u>	<u>Safety-Police</u>	<u>Fire Safety</u>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	Prior to January 1, 2013
Benefit Formula	2.0% @ 55	2.0% @ 50	3.0% @ 50
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life	Monthly for life
Retirement Age	55	50	50
Monthly Benefits, As a % of Eligible Compensation	1.4% to 2.0%	2.0%	2.0%
Required Employee Contribution Rates	6.90%	8.94%	0%
Required Employer Contributions Rates	10.327%	16.636%	0%

PEPRA Plans

	<u>PEPRA Miscellaneous</u>	<u>PEPRA Safety-Police</u>
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit	2.0% @ 62	2.7% @ 57
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	52-67	50-57
Monthly Benefits, As a % of Eligible Compensation	1.0% to 2.5%	2.0% to 2.7%
Required Employee Contribution Rates	6.50%	12.000%
Required Employer Contributions Rates	7.072%	13.034%

Source: City of Fort Bragg Audit Fiscal Year ended June 30, 2020.

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2020 the contributions recognized as part of pension expense for each Plan were \$514,099 for Miscellaneous Plans and \$637,647 for Safety Plans.

Net Pension Liability. As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plans	\$5,008,648
Safety Plans	4,931,069
Total Net Pension Liability	\$9,939,716

For the year ended June 30, 2020, the City recognized pension expense of \$1,895,870. See Note 11 to the City's audited financial statements for the fiscal year ending June 30, 2020 attached hereto as Appendix A for more information.

Actions Taken by CalPERS Related to Discount Rate and Other Assumptions. In 2013, the CalPERS' Board of Administration (the "Board of Administration") approved a recommendation to change the CalPERS amortization and smoothing policies. In 2018, the Board

of Administration voted to shorten the period over which CalPERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities. In 2014, the Board of Administration approved new demographic actuarial assumptions based on a 2013 study of recent experience. The largest impact, applying to all benefit groups, is a new 20-year mortality projection reflecting longer life expectancies and that longevity will continue to increase. Because retirement benefits will be paid out for more years, the cost of those benefits will increase as a result. In 2015, the Board of Administration adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund’s unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In 2016, the Board of Administration voted to lower its discount rate for local agencies per the following schedule:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

On July 12, 2021, CalPERS announced it had achieved a preliminary investment return of 21.3% for the 12-month period ending June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the double-digit return will trigger a reduction in the discount rate from 7.00% to 6.80%. The CalPERS Board may further reduce the discount rate in the near future. The final discount rate (and other assumptions) will be determined at the Asset Liability Management meeting that occurs in November 2021. CalPERS may lower the discount rate beyond the trigger set forth in the Funding Risk Mitigation Policy or make other changes.

Lowering the discount rate means employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under PEPRAs will also see their contribution rates rise. PEPRAs included certain other provisions to try to minimize pension costs for covered employees. The three-year reduction of the discount rate will result in average employer rate increases of about 1 percent to 3 percent of normal cost as a percent of payroll for most miscellaneous retirement plans, and a 2 percent to 5 percent increase for most safety plans. Additionally, many CalPERS employers will see a 30 to 40 percent increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring the pension fund to a fully funded status over the long-term.

Fiscal Year 2020-21 investment returns and changes to the discount rate and other assumptions, including demographic changes, will be reported on the June 30, 2021 CalPERS actuarial reports. These changes, including the newly determined discount rate, will be reflected in contribution levels for cities, counties, and special districts in Fiscal Year 2023-24.

Deferred Compensation Plan. City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the plan. The laws governing deferred compensation plan assets require plan assets to be held by a trust for the exclusive benefit of

plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they are excluded from the City's financial statements.

Other Post-Employment Benefits (OPEB). The City offers its employees a post-retirement health program (the "**OPEB Plan**"), a Single Employer plan, which includes medical and dental coverage. Upon retirement for service or disability, employees hired prior to July 1, 2011 (January 1, 2012 for Fort Bragg Police Officer Association members) retiring directly from service at age 50 or over with 10 years of service may continue coverage for themselves and their spouse's (to whom they are married at retirement) as detailed below. Currently 19 employees meet those eligibility requirements. Expenditures for these post-retirement benefits are recognized as monthly premiums are paid. During the fiscal year ended June 30, 2020, expenditures of \$269,166 were recognized for the cost of these postretirement benefits. The City also pays portions of the premiums dependent on bargaining group and employee hire date. As of June 30, 2020 the City had 21 active members and 32 inactive employees or beneficiaries currently receiving benefits.

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the City's cash contributions were \$5,000 in payments to the trust, \$269,166 cash benefit payments, and the estimated implied subsidy was \$18,483 resulting in total payments of \$293,476.

See APPENDIX A Note 12 for additional details regarding the City's pension and other employee benefits, including as relates to OPEB.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has provided property, liability, and worker's compensation insurance through the Redwood Empire Municipal Insurance Fund ("**REMIF**"), a public entity risk pool currently operating as a common risk management and self-insurance program for fifteen Northern California municipalities. In July, 2021, the REMIF joined with the Public Agency Risk Sharing Authority of California (PARSAC) to create a new risk pool called the California Intergovernmental Risk Sharing Authority or CIRA. Both pools also share a similar culture in that the pool is member owned, member governed, member driven and exists to serve its members. The organizations are also similar in that they serve small to medium sized cities/towns, and share a similar footprint in Northern California, while PARSAC has presence throughout the State.

The City pays quarterly and annual contributions and premiums to CIRA for its general insurance and self-insurance coverage. The joint powers formation agreement of the CIRA provides that the CIRA will self-insure through member contributions and collect premiums for insurance and reinsurance for liability insurance and other coverage. CIRA is a risk sharing, self-funded pool which is a direct purchase program. The CIRA cost sharing pool provides coverage between the City's deductible and \$500,000 (liability program) and \$1,000,000 (workers' compensation program). Losses in excess of the CIRA cost sharing pool limits are covered by CIRA through the California Joint Powers Risk Management Authority for liability and commercial insurance policies for workers' compensation. Loss limits and deductibles are per occurrence as detailed on the table below. Losses exceeding these limits are the responsibility of the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

See APPENDIX A Note 10 for additional details regarding the City's pension and other employee benefits, including as relates to Risk Management.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The constitutional and statutory provisions discussed in this section have the potential to affect the ability of the City to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIII A defines "full cash 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 when purchased, newly constructed, or 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 to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the 1978–79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City’s long term General Fund lease obligations are generally excluded from the City’s appropriations limit. The City has never exceeded its appropriations limit.

Articles XIII C and XIII D of the State Constitution

General. On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. The amendments to Article XIII C define “taxes” that are subject to voter approval as “any levy, charge, or exaction of any kind imposed by a local government,” with certain exceptions.

Taxes. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City (“general taxes”)

require a majority vote; taxes for specific purposes (“special taxes”), even if deposited in the City’s General Fund, require a two-thirds vote.

Property-Related Fees and Charges. Article XIID also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a “special benefit,” as defined in Article XIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Reduction or Repeal of Taxes, Assessments, Fees and Charges. Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. If such repeal or reduction occurs, the City’s ability to pay debt service on the Bonds could be adversely affected.

Burden of Proof. Article XIIC provides that local government “bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.” Similarly, Article XIID provides that in “any legal action contesting the validity of a fee or charge, the burden shall be on the agency to demonstrate compliance” with Article XIID.

Judicial Interpretation of Proposition 218. The interpretation and application of Articles XIIC and XIID will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

Impact on City’s General Fund. The City does not believe that any material source of General Fund revenue is subject to challenge under Proposition 218 or Proposition 26.

The approval requirements of Articles XIIC and XIID reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase the taxes, fees, charges or taxes in the future that it may need to meet increased expenditure needs.

Proposition 1A; Proposition 22

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the State’s Fiscal Year 2004-05 Budget, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provided that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibited the State from shifting to schools or community colleges any share of property tax revenues allocated to

local governments for any Fiscal Year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county had to be approved by two-thirds of both houses of the Legislature.

Proposition 22. Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State in November 2010. Proposition 22 eliminates or reduces the State’s authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988–89 Fiscal Year, are allocated as follows: (i) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (ii) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or benefit of the excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Possible Future Initiatives

Article XIII A, Article XIII B and Propositions 218, 26, IA and 22 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting the City’s revenues or its ability to expend revenues.

BOND OWNERS’ RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

No Pledge of Taxes

General. The obligation of the City to pay the Lease Payments and Additional Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Lease Payments and Additional Rental Payments does not constitute

a debt or indebtedness of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The City is currently liable on other obligations payable from general revenues, which are described above under "CITY FINANCIAL INFORMATION – Long-Term Obligations Payable Out of General Fund."

Limitations on Taxes and Fees. Certain taxes, assessments, fees and charges presently imposed by the City could be subject to the voter approval requirements of Article XIII C and Article XIII D of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The City has assessed the potential impact on its financial condition of the provisions of Article XIII C and Article XIII D of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the City believes that if the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to Article XIII C and Article XIII D of the State Constitution are eliminated or substantially reduced, the financial condition of the City, including its General Fund, could be materially adversely affected.

Although the City does not currently anticipate that the provisions of Article XIII C and Article XIII D of the State Constitution would adversely affect its ability to pay Lease Payments and its other obligations payable from the General Fund, no assurance can be given regarding the ultimate interpretation or effect of Article XIII C and Article XIII D of the State Constitution on the City's finances. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS."

Additional Obligations of the City

General. The City is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Bonds, and may in the future be subject to liabilities payable from the general fund (some of which are described below). To the extent that additional obligations are incurred by (or imposed upon) the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments and Additional Rental Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

Litigation. The City is subject to litigation arising in the normal course of business. See "LITIGATION."

CalPERS Obligations. Many cities and other local agencies in the State have been faced with increased payments due to CalPERS in recent years. The City, like many other cities and

local agencies in the State, is responsible for payments to CalPERS for its share of employee pension costs. Amounts owed to CalPERS for pension costs have increased in recent years and are expected to continue to increase, as CalPERS implements changes to its discount rate and other methodologies for calculating pension costs. See “THE CITY – Pension Plans” for additional information on CalPERS.

Default

Whenever any event of default referred to in the Lease happens and continues, the Trustee (as assignee of the Authority) is authorized under the terms of the Lease to exercise any and all remedies available under law or granted under the Lease. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a detailed description of available remedies in the case of a default under the Lease.

If a default occurs, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease. The Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Bonds or pay debt service on the Bonds.

The City will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the City’s obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest on the Bonds as and when due. See “SECURITY FOR THE BONDS – Abatement” and “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Although the City is required under the Lease to maintain property and liability insurance with respect to the Leased Property, the required insurance coverage is subject to certain conditions and restrictions. See “SECURITY FOR THE BONDS – Property Insurance.”

In addition, the City is required to use the proceeds of rental interruption insurance maintained under the Lease to make debt service payments on the Bonds during any period of abatement. See “SECURITY FOR THE BONDS – Property Insurance.” However, there is no assurance that the City will receive proceeds of rental interruption insurance in time to make debt service payments on the Bonds when due.

Sales Taxes

Sales tax revenues are typically the biggest source of revenue to the City, behind property taxes. Sales tax revenues are based upon the gross receipts of retail sales of tangible goods and products by retailers with taxable transactions in the City, which could be impacted by a variety of factors.

For example, before final maturity of the Bonds, the City may enter into an economic recession. In times of economic recession, the gross receipts of retailers often decline, and such a decline would cause the sales tax revenues received by the City to also decline.

In addition, changes or amendments in the laws applicable to the City's receipt of sales tax revenues, whether implemented by State legislative action or voter initiative, could have an adverse effect on sales tax revenues received by the City. For example, many categories of transactions are exempt from the statewide sales tax, and additional categories could be added in the future. Currently, most sales of food products for human consumption are exempt; this exemption, however, does not apply to liquor or to restaurant meals. The rate of sales tax levied on taxable transactions in the City or the fee charged by the CDTFA for administering the City's sales tax could also be changed.

Property Taxes

Property taxes are a significant source of General Fund revenue to the City. Certain risks associated with property tax revenues follow.

Levy and Collection. The City does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the City's property tax revenues, and accordingly, could have an adverse impact on the ability of the City to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the City's ability to pay principal of and interest on the Bonds when due.

Reduction in Inflationary Rate. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation a limited number of times.

The City is unable to predict if any adjustments to the full cash value base of real property within the City, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

Proposition 8 Appeals. Most of the appeals that might be filed in the City would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals in the future will not significantly reduce the City’s property tax revenues.

Natural Calamities

General. Natural disasters, such as seismic events, flooding, landslides or wildfires, could affect economic activity in the City, and could have a negative impact on City finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to and costs for the City or impact the Leased Property.

Seismic. The City is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the City, such an occurrence may adversely affect economic activity in the City, and could have a negative impact on City finances. The City could be at risk from strong ground motion and secondary effects related to a seismic event, including ground failure (such as landslide, liquefaction, lateral spreading, lurching and differential settlement) and seismically induced flooding (such as flooding from a tsunami or dam failure).

Wildfires. Although the City is not located within a Fire Hazard Severity Zone as established by CAL FIRE (<https://egis.fire.ca.gov/FHSZ>), there are areas adjacent to the City that are open space parklands and more susceptible to wildfires. In addition, many areas of northern California have suffered from major wildfires in recent years, including numerous wildfires in northern California in 2020 and in 2021. In addition to their direct impact on health and safety and property damage in California, the smoke from many of these wildfires has impacted the quality of life throughout the region, and the City and may have short-term and future impacts on commercial activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result in changing weather patterns due to climate change.

Droughts. California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California's history, Governor Edmund G. Brown directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. Following a wet winter in 2016-17, most of the mandatory water reductions were lifted. However, drought conditions were again declared in 2021 throughout the State, including in the City and the County.

The City Council declared a Stage 4 Water Crisis at its meeting on September 13, 2021, targeting a 30-40% decrease in seasonal water use based on the most recent year in which water conservation measures were not required (2019). The City has also partnered with the County and City of Ukiah to ensure its water supply needs are met (including potential water hauling from the City of Ukiah).

Increased flows in the Noyo River have also allowed the City to divert water from Waterfall Gulch to the Summers Lane Reservoir to restore some of the supply used in September 2021, allowing the reservoir to increase to 93% of capacity.

In addition, the City has received a new Desalination-Reverse Osmosis Treatment System from Aquaclear, which will allow the City to begin creating potable water in a new manner.

Climate Change. City finances may be negatively impacted by climate change. Local impacts of climate change are not definitive, but parcels in the City could experience changes to local and regional weather patterns; increased risk of flooding; and water restrictions. See, for example, the discussions above regarding wildfires and droughts.

COVID-19 Pandemic

The spread of COVID-19 has impacted governments, businesses and people in a manner that is having negative effects on global and local economies. To date, the City's General Fund has been adversely impacted by COVID-19 through a reduction in TOT revenues in Fiscal Year 2019-20. This category of revenues was the only category that decreased compared to the prior fiscal year, with sales taxes and property taxes not negatively impacted. The City anticipates the TOT decline to be temporary, with Fiscal Year 2020-21 and Fiscal Year 2021-22 levels of TOT to be higher than Fiscal Year 2018-19 levels existing prior to the onset of the COVID-19 pandemic. In addition, as discussed under "CITY FINANCIAL INFORMATION," the City has received (and expects to receive) federal grant moneys to help offset some of its General Fund declines due to COVID-19.

The City is located in a remote part of the State, with abundant outdoor activities, making it an appealing destination in today's COVID-19 environment, which does not include "shelter-in-place" orders as was the case at the beginning of the pandemic.

The COVID-19 pandemic remains ongoing. There can be no assurances that the spread of COVID-19 and/or responses intended to slow the spread of COVID-19 such as declining business and travel activity, will not materially adversely impact the state and national economies and, accordingly, materially adversely impact the financial condition of the City and the City's General Fund. In addition, the City may experience increased personnel costs and/or reduced revenues due to the COVID-19 situation and the related impact on economic and other activity in and around the City.

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The City maintains insurance coverage for loss resulting from cyber security incidents, however no assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of property taxes, the Trustee, and the dissemination agent. No assurance can be given that the City and/or the other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Limitations on Remedies Available to Bond Owners

The ability of the City to comply with its covenants under the Lease 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 payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Lease or the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondowner remedies contained in the Lease and the Indenture, the rights and obligations under the Bonds, the Lease and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the Bonds, will include a qualification that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture, the Lease and the Site Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases. See "APPENDIX E — FORM OF OPINION OF BOND COUNSEL."

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any 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 in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

California Tax Status. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Federal Tax Status. Bond Counsel observes interest on the Bonds is not excluded from gross income for federal income tax purposes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which is set forth in "APPENDIX E — FORM OF OPINION OF BOND COUNSEL." Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation.

LITIGATION

Except as may otherwise be set forth in this Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease, the Site Lease or the Indenture, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease, the Site Lease or the Indenture, or the financial conditions, assets, properties or operations

of the City, including but not limited to the payment and performance of the City's obligations under the Lease.

The City is subject to claims, actions, and lawsuits arising in the normal course of business. At this time, the City does not believe any of the lawsuits are likely to be resolved in a manner that would result in liability to the City in excess of its existing insurance coverage. However, no assurance can be given that an adverse outcome in any pending or future litigation against the City would not result in a material adverse effect upon the financial condition of the City and its ability to pay the Lease Payments securing the Bonds.

RATING[S]

S&P Global Ratings ("**S&P**"), a division of Standard & Poor's Financial Services LLC has assigned its municipal bond rating of "___" to the Bonds. This rating reflects only the views of S&P, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The City has provided certain additional information and materials to the rating agency (some of which does not appear in this Official Statement). There is no assurance that this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data by not later than nine months after the end of the City's fiscal year, or March 31, of each year (based on the City's current fiscal year-end of June 30), commencing March 31, 2022, with the report for the 2020-21 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate."

A review of the City's prior compliance with its continuing disclosure obligations under the Rule reveals that the City did not timely file its audited financial statements and/or annual report information by the due dates for Fiscal Years 2015-16 through 2019-20.

[All remedial filings have been made and the City has engaged NHA Advisors LLC to assist with its continuing disclosure obligations under the Rule in the future.]

MUNICIPAL ADVISOR

The City and the Authority have retained NHA Advisors LLC, of San Rafael, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the Bonds. All financial and other information presented in this Official Statement has been provided by the City

and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

UNDERWRITING

Oppenheimer & Co. Inc., as underwriter (the “**Underwriter**”), has entered into a Bond Purchase Agreement with the Authority under which it will purchase the Bonds at a purchase price of \$_____, which is equal to the par amount of the Bonds, less an Underwriter’s discount of \$_____.

The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

PROFESSIONAL SERVICES

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; NHA Advisors LLC, San Rafael, California, as municipal advisor to the Authority and the City; Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter; and U.S. Bank National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the City Council of the City.

CITY OF FORT BRAGG JOINT POWERS
FINANCING AUTHORITY

By: _____
Executive Director

CITY OF FORT BRAGG

By: _____
City Manager

APPENDIX A
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING JUNE 30, 2020

APPENDIX B

GENERAL INFORMATION ABOUT THE CITY OF FORT BRAGG AND THE COUNTY OF MENDOCINO

*The following information concerning the County of Mendocino (the “**County**”) and the City of Fort Bragg (the “**City**”) is included only for the purpose of supplying general information regarding the area. The Bonds are not a debt of the County, the City, the State of California (the “**State**”) or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor. The City and the Underwriter take no responsibility for the accuracy or completeness of such information.*

General

The City. The City is located in the north-western section of the County, on the Mendocino coast approximately 170 miles north of San Francisco, surrounded by redwood forests and the Pacific Ocean. The County is bounded by the Pacific Ocean to the west, Sonoma County to the south and by Humboldt and Trinity Counties to the north.

The area was first settled as an army post in 1857. The army abandoned the fort in 1864 and in 1867 the lands were opened for settlement. The City developed with the construction of Union Lumber’s first mill in 1885. The City was incorporated in 1889 as a general law city. Situated approximately half-way between Eureka and San Francisco, the area offers a blend of natural resources, recreation, and scenery. Fishing, wood products, and tourism are the primary industries of the City. The City provides a full range of municipal services, including public safety services, construction and maintenance of streets and infrastructure, water service, wastewater service, community development, financial management and administrative services.

The County. The County was created in 1850 by the State Legislature and was one of the State’s original 27 counties. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt counties all border Mendocino County on its inland side. The County spans an area of over 2 million acres, which is approximately 3,500 square miles with a coastline of about 100 miles. Coastal State Route 1 and U.S. Highway 101, which runs through the center of the County, are important transportation routes. Smaller country roads connect the County’s five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The City of Ukiah is the largest city in the County and is the County seat. The County is legislatively governed by a board of five supervisors, each with a separate district.

The County has nine Indian reservations within its borders, the fourth-most of any county in the United States (after San Diego County, California; Sandoval County, New Mexico; and Riverside County, California).

Population

The following table lists population estimates for the City, the County and the State for the last five years, as of January 1 each year.

CITY OF FORT BRAGG, COUNTY OF MENDOCINO, STATE OF CALIFORNIA
Population Estimates
Years 2017 through 2021, as of January 1

Year	City of Fort Bragg	Mendocino County	State of California
2017	7,457	88,646	39,352,398
2018	7,540	88,542	39,519,535
2019	7,494	88,205	39,605,361
2020	7,451	87,708	39,648,938
2021	7,409	86,669	39,466,855

Source: California Department of Finance, Demographic Research Unit.

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Industry and Employment

MENDOCINO COUNTY Civilian Labor Force, Employment and Unemployment Calendar Years 2016 through 2020 March 2020 benchmark

	2016	2017	2018	2019	2020
Civilian Labor Force ⁽¹⁾	39,620	39,560	39,460	38,650	37,020
Employment	37,520	37,760	37,870	37,090	33,720
Unemployment	2,100	1,800	1,590	1,560	3,290
Unemployment Rate	5.3%	4.5%	4.0%	4.0%	8.9%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	1,360	1,380	1,450	1,460	1,410
Mining and Logging	300	330	310	290	270
Construction	1,060	1,220	1,380	1,390	1,320
Manufacturing	2,550	2,540	2,470	2,430	2,360
Wholesale Trade	740	840	810	740	700
Retail Trade	4,730	4,760	4,820	4,810	4,480
Transportation, Warehousing, Utilities	710	710	730	720	840
Information	250	230	230	210	170
Financial Activities	1,050	1,060	1,070	1,050	980
Professional and Business Services	1,670	1,670	1,790	1,860	1,800
Educational and Health Services	5,580	5,750	5,780	5,840	5,530
Leisure and Hospitality	4,410	4,410	4,490	4,360	3,200
Other Services	790	810	810	750	700
Federal Government	280	270	270	270	290
State Government	570	560	580	600	640
Local Government	6,400	6,400	6,320	6,310	5,740
Total all Industries ⁽³⁾	32,440	32,950	33,290	33,100	30,390

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not sum to totals due to rounding.

Source: State of California Employment Development Department.

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Principal Employers

The following table lists the principal employers within the City for fiscal year 2019-20.

CITY OF FORT BRAGG Principal Employers Fiscal Year 2019-20

Employer Name	No. of Employees
Mendocino Coast District Hospital	336
Fort Bragg Unified School District ⁽¹⁾	232
Parents & Friends Inc.	163
Safeway	138
Mendocino Coast Clinics Inc.	116
North Coast Brewing CO Inc. ⁽²⁾	102
Sherwood Oaks Health Ctr	93
Mendocino County ⁽³⁾	88
Anderson Logging Inc.	82
Silers At The Wharf (Anchor Lodge)	62

(1) Excludes non bargaining on call subs or sports coaches.

(2) Includes summer and seasonal employees.

(3) Includes satellite offices of county departments.

Source: City of Fort Bragg.

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The following table lists, in alphabetical order, the largest manufacturing and non-manufacturing employers within the County as of August 2021.

**COUNTY OF MENDOCINO
Major Employers
As of August 2021
(In Alphabetical Order)**

Employer Name	Location	Industry
Adventist Health Ukiah Vly	Ukiah	Outpatient Services
California Department-Forestry	Willits	Government-Forestry Services
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Ukiah	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Frank R Howard Memorial Hosp	Willits	Hospitals
Howard Memorial Hosp Med Imgng	Willits	Diagnostic Imaging Centers
Little River Inn	Little River	Golf Courses
Mendocino Coast District Hosp	Fort Bragg	Hospitals
Mendocino Community Health	Ukiah	Clinics
Mendocino County Food Stamps	Ukiah	Government Offices-County
Mendocino County Office of Edu	Ukiah	Boards of Education
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Redwood Co LLC	Calpella	Restaurants
Metalfx Inc	Willits	Sheet Metal Fabricators (mfrs)
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Toyota Sales & Svc	Ukiah	Automobile Parts & Supplies-Retail-New
Ukiah City Civic Ctr	Ukiah	Government Offices-City/Village & Twp
Ukiah High School	Ukiah	Schools
Ukiah Valley Medical Ctr	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2021 1st edition.

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Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State, and the United States for the period 2017 through 2021.

CITY OF FORT BRAGG, MENDOCINO COUNTY, STATE OF CALIFORNIA AND UNITED STATES EFFECTIVE BUYING INCOME As of January 1, 2017 through 2021

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Fort Bragg	\$144,741	\$35,273
	Mendocino County	1,886,213	40,032
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Fort Bragg	\$127,236	\$36,069
	Mendocino County	1,833,429	40,496
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fort Bragg	\$140,320	\$39,710
	Mendocino County	1,958,994	42,231
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Fort Bragg	\$165,835	\$45,439
	Mendocino County	2,374,052	48,768
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Fort Bragg	\$152,705	\$43,995
	Mendocino County	2,149,946	46,801
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during calendar year 2020 in the City were reported to be \$135,539,579, a 10.87% decrease over the total taxable sales of \$152,061,779 reported during calendar year 2019.

CITY OF FORT BRAGG
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2016 through 2020 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	295	\$123,971	445	\$143,678
2017	296	132,218	441	148,968
2018	295	134,630	456	154,709
2019	294	130,356	465	152,062
2020	297	120,752	479	135,540

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2020 in the County were reported to be \$1,728,691,592, a 7.84% increase over the total taxable sales of \$1,602,967,631 reported during calendar year 2019.

COUNTY OF MENDOCINO
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2016 through 2020 (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	2,489	\$1,075,436	4,145	\$1,424,943
2017	2,529	1,111,403	4,460	1,467,165
2018	2,492	1,150,832	4,796	1,490,850
2019	2,472	1,245,092	5,046	1,602,968
2020	2,567	1,350,609	5,232	1,728,692

Source: State Department of Tax and Fee Administration.

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

CITY OF FORT BRAGG Building Permit Valuation For Calendar Years 2016 through 2020 (Dollars in Thousands)⁽¹⁾

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$1,169.4	\$2,268.4	\$4,228.6	\$2,931.8	\$2,534.0
New Multi-family	0.0	224.9	0.0	585.0	0.0
Res. Alterations/Additions	2,054.1	1,591.0	2,288.7	1,701.4	1,456.2
Total Residential	3,223.4	4,084.2	6,517.3	5,218.2	3,990.2
New Commercial	477.3	283.1	1,411.8	383.9	1,302.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	166.5	227.5	1,377.0	531.6	334.8
Com. Alterations/Additions	1,190.4	225.9	1,232.1	1,538.3	584.6
Total Nonresidential	1,834.1	736.5	4,020.8	2,453.8	2,222.0
<u>New Dwelling Units</u>					
Single Family	9	13	23	22	13
Multiple Family	0	2	0	2	0
TOTAL	9	15	23	24	13

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

MENDOCINO COUNTY Building Permit Valuation For Calendar Years 2016 through 2020 (Dollars in Thousands)⁽¹⁾

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$11,628.5	\$17,779.4	\$29,034.7	\$22,296.2	\$20,148.2
New Multi-family	8,400.0	224.9	0.0	1,630.7	3,526.4
Res. Alterations/Additions	10,523.7	7,241.9	985.7	9,095.0	9,570.8
Total Residential	30,552.2	25,246.2	39,303.1	33,021.9	33,245.4
New Commercial	3,937.5	14,404.3	4,248.8	17,698.1	20,058.6
New Industrial	78.2	775.3	5.0	14.6	20,158.6
New Other	4,008.9	2,859.7	20,105.1	5,738.3	4,898.0
Com. Alterations/Additions	6,652.3	2,240.8	7,387.6	8,771.3	5,546.0
Total Nonresidential	14,676.9	20,280.1	31,746.5	32,222.3	50,661.2
<u>New Dwelling Units</u>					
Single Family	70	91	157	137	102
Multiple Family	48	2	0	8	240
TOTAL	118	93	157	145	342

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF
PRINCIPAL LEGAL DOCUMENTS**

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 Lease Revenue Bonds
(Federally Taxable)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Fort Bragg (the “City”) in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of November 1, 2021 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 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 above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 of each year.

“*Dissemination Agent*” means NHA Advisors LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Oppenheimer & Co. Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means 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.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for Fiscal Year 2020-21, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(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 Disclosure Certificate, and stating the date it was provided.

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

(a) Audited Financial Statements of the City 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 the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained 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) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) the principal amount of Bonds outstanding as of June 30 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture as of June 30 preceding the filing of the Annual Report; and

(iii) updates to the substance of the information contained in the following tables in the Official Statement:

(A) General Fund Revenues, Expenditures and Fund Balances (most recent adopted budget), substantially in the form of Table 1;

(B) General Fund Revenues, Expenditures and Fund Balances (most recently completed fiscal year audited), substantially in the form of Table 3;

(C) General Fund Tax Revenues by Source, substantially in the form of Table 4;

(D) Taxable Transactions, substantially in the form of Table 6;

(E) Assessed Value of Taxable Property, substantially in the form of Table 7; and

(F) Top Twenty Local Secured Taxpayers, substantially in the form of Table 9.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.

- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for definition of "financial obligation," see clause (f)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for definition of "financial obligation," see clause (f)).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For the purposes of the event identified in (a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(e) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(f) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or 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 under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: _____, 2021

CITY OF FORT BRAGG

By _____
Name: _____
Title: _____

ACCEPTED AND AGREED:

NHA Advisors LLC,
As Dissemination Agent

By _____
Authorized Representative

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Directors
City of Fort Bragg Joint Powers Financing Authority
416 North Franklin Street
Fort Bragg, California 95437

OPINION: \$ _____ City of Fort Bragg Joint Powers Financing Authority
 2021 Lease Revenue Bonds (Federally Taxable)

Members of the Board of the Directors:

We have acted as bond counsel to the City of Fort Bragg Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Authority of its 2021 Lease Revenue Bonds (Federally Taxable) in the aggregate principal amount of \$ _____ (the "Bonds"), under an Indenture of Trust dated as of November 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee, and under the provisions of Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Bond Law"). The Bonds are secured by Revenues as defined in the Indenture, including certain lease payments made by the City of Fort Bragg (the "City") under a Lease Agreement dated as of November 1, 2021 (the "Lease") between the Authority as lessor and the City as lessee. We have examined the Indenture, the Lease, the Bond Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Indenture, the Lease and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation. Based upon our examination, we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California, with power to enter into the Indenture and the Lease, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.

3. The Indenture and the Lease have been duly approved by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

4. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as that term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

5. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Lease and to perform the agreements on its part contained therein. The Lease has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

6. Interest on the Bonds is exempt from California personal income taxation.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Lease may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of _____. 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. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

§ _____
CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 LEASE REVENUE BONDS
(FEDERALLY TAXABLE)

BOND PURCHASE AGREEMENT

_____, 2021

City of Fort Bragg
416 N. Franklin Street
Fort Bragg, California 95437

City of Fort Bragg Joint Powers Financing Authority
c/o City of Fort Bragg
416 N. Franklin Street
Fort Bragg, California 95437

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on its own behalf, offers to enter into this Bond Purchase Agreement (which, together with the exhibits hereto, is referred to as the “Purchase Agreement”) with the City of Fort Bragg (the “City”) and the City of Fort Bragg Joint Powers Financing Authority (the “Authority”) which, upon acceptance by the City and the Authority, will be binding upon the City, the Authority and the Underwriter. This offer is made subject to acceptance by the City and the Authority by the execution of this Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Indenture of Trust, dated as of November 1, 2021 (the “Indenture”), by and between the Authority and _____, as trustee (the “Trustee”).

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to sell and deliver to the Underwriter all (but not less than all) of the City of Fort Bragg Joint Powers Financing Authority 2021 Lease Revenue Bonds (Federally Taxable) (the “Bonds”). The Bonds will be dated as of their date of delivery. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2022, and the Bonds will mature, bear interest and be subject to redemption prior to maturity as set forth in Exhibit A. The purchase price of the Bonds is \$ _____ (being the aggregate principal amount thereof, less an Underwriter’s discount of \$ _____).

Section 2. The Bonds. The Bonds are payable from certain payments (the “Lease Payments”) to be made by the City pursuant to a Lease Agreement, dated as of November 1, 2021 (the “Lease”), by and between the City and the Authority. The City will lease certain real property to the Authority pursuant to a Site Lease, dated as of November 1, 2021 (the “Site Lease”), by and between the City and the Authority, and the Authority will sublease such property back to the City pursuant to the Lease in consideration of the payment by the City of the Lease Payments.

The Authority's right to receive the Lease Payments under the Lease and to exercise remedies upon default under the Lease shall be assigned to the Trustee for the benefit of the owners of the Bonds pursuant to an Assignment Agreement, dated as of November 1, 2021 (the "Assignment Agreement"), by and between the Authority and the Trustee.

The Bonds shall be as described in, and shall be issued under and pursuant to the Indenture substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the City and the Underwriter.

The proceeds of the Bonds shall be applied to: (1) refinance all or a portion of the unfunded accrued liability owed by the City to the California Public Employees' Retirement System; (2) finance the acquisition of land and the construction of certain capital improvements of the City; and (3) pay certain costs of issuing the Bonds.

The following documents are collectively referred to herein as the "Authority Documents": (i) the Indenture; (ii) the Lease; (iii) the Site Lease, (iv) the Assignment Agreement, (v) the Bonds; (vi) this Purchase Agreement; and (vii) the resolution of the Authority adopted on _____, 2021 (the "Authority Resolution") authorizing the execution and delivery of the foregoing documents.

The following documents are collectively referred to herein as the "City Documents": (i) this Purchase Agreement; (ii) the Continuing Disclosure Certificate of the City relating to the Bonds (the "Continuing Disclosure Certificate"); (iii) the Lease; (iv) the Site Lease; (v) the resolution of the City adopted on _____, 2021 (the "City Resolution") authorizing the execution and delivery of the foregoing documents.

Section 3. Public Offering; Establishment of Issue Price. The Underwriter agrees to make an initial public offering of all the Bonds at the public offering prices (or yields) set forth on Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

Section 4. The Official Statement. By their acceptance of this proposal, the City and the Authority ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds dated _____, 2021 (including the cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement") that an authorized officer of the City or the Authority deemed "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 certain information that is permitted to be omitted therefrom by Rule 15c2-12. The City and the Authority agree to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information that was previously permitted to have been omitted by Rule 15c2-12), including the cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the City, the Authority and the Underwriter (the "Official Statement") in such quantity as the Underwriter shall reasonably request to comply

with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Bonds prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the City with final pricing information for the Bonds on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the City and the Authority, with the MSRB at <http://emma.msrb.org>. The City and the Authority hereby approve of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Bonds. The City and the Authority will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

Section 5. Closing. At 8:00 a.m., California Time, on November __, 2021, or at such other time or date as the City, the Authority and the Underwriter agree upon (the “Closing Date”), the City shall deliver or cause to be delivered to the Trustee, the Bonds, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Bonds may be issued and credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the issuance of the Bonds, the City will deliver the documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“Bond Counsel”), or another place to be mutually agreed upon by the City, the Authority and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Bonds shall be registered in the name of Cede & Co., as nominee of DTC, in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The City and the Authority acknowledge that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Bonds in book-entry form, and agrees to cooperate fully with the Underwriter in employing such services.

Section 6. Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Underwriter that:

(a) The Authority is a joint exercise of powers authority that is duly organized and existing in good standing under and by virtue of the general laws of the State of California (the “State”).

(b) The Authority has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the issuance of the Bonds and the Authority Documents at a regular meeting of the Authority’s Board of Directors, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents and the consummation by it of all other transactions contemplated by the Authority

Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The Authority has complied, and will at the Closing be in compliance in all material respects, with the terms of the Authority Documents.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party which breach or default has or may have a materially adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the Authority Documents, if applicable, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Authority of its obligations in connection with the Authority Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds. Except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Authority Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements

contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the Authority having been accomplished, or threatened in writing to the Authority: (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance of any of the Bonds, or the payment or collection of Lease Payments under the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Authority Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest on the Bonds from State taxation or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the Authority; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the Authority’s knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 6(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period, if any event shall occur of which the Authority is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the Authority shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter’s reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the Authority shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term “end of the underwriting period” means the later of such time as: (i) the Authority issues the Bonds; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the “end of the underwriting period” shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to

the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except in connection with prepayment of the Lease Payments in accordance with the Lease and the redemption of a corresponding portion of the Bonds pursuant to the terms of the Indenture or as permitted under the Lease due to damage, destruction, or substantial interference with the use and occupancy by the City of the property that is the subject of the Lease or any portion thereof, the Authority will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding.

(l) Any certificate signed by any officer of the Authority authorized to execute such certificate in connection with the issuance and delivery of the Bonds and delivered to the Underwriter shall be deemed a representation and warranty of the Authority to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 7. Representations, Warranties and Covenants of the City. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a municipal corporation that is duly organized and existing under and by virtue of the general laws of the State.

(b) The City has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against municipal corporations in the State. The City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents.

(d) To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which breach or default has or may have a materially adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the City Documents, if applicable, and compliance with the provisions on the City's part

contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds. Except as described in or contemplated by the Preliminary Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption "UNDERWRITING" and information regarding DTC and its book-entry only system, as to which no view is expressed).

(g) The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the City having been accomplished, or threatened in writing to the City: (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance of any of the Bonds, or the payment or collection of Lease Payments under the Lease or of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the City Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest on the Bonds from State taxation or contesting the powers of the Authority to issue the Bonds; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the City; or

(iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the City's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of paragraph 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period, if any event shall occur of which the City is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the City shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the City shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. Any notice delivered pursuant to this provision shall be written notice delivered to the Underwriter at or prior to the Closing Date of the Bonds and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(m) The City will undertake, pursuant to the Continuing Disclosure Certificate and the other City Documents, to provide annual reports and notices of certain events. A description of this undertaking is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(n) Except in connection with prepayment of the Lease Payments in accordance with the Lease and the redemption of a corresponding portion of the Bonds pursuant to the terms of the Indenture or as permitted under the Lease due to damage, destruction, or substantial interference with the use and occupancy by the City of the property that is the subject of the Lease or any portion thereof, the City will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Lease Payments while the Bonds are Outstanding, and the City will pay the Lease Payments in accordance with the Lease.

(o) Any certificate signed by any officer of the City authorized to execute such certificate in connection with the issuance and delivery of the Bonds and delivered to the Underwriter

shall be deemed a representation and warranty of the City to the Underwriter as to the statements made therein but not of the person signing such certificate.

Section 8. Conditions to the Obligations of the Underwriter. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the City and the Authority contained herein. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the City and the Authority, as well as authorized representatives of Bond Counsel and the Trustee made in any certificates or other documents furnished pursuant to the provisions hereof; to the performance by the City and the Authority of their obligations to be performed under the City Documents and the Authority Documents, respectively, at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the City and the Authority contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the City Documents and the Authority Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the City Documents, the Authority Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the City Documents, the Authority Documents or any other agreement or document pursuant to which any of the City's or the Authority's financial obligations were executed and delivered, and the City and the Authority shall not be in default in the payment of principal or interest with respect to any of their respective financial obligations, which default would materially adversely impact the ability of the City to pay the Lease Payments or the ability of the Authority to pay the Bonds.

(d) In recognition of the desire of the City, the Authority and the Underwriter to effect a successful public offering of the Bonds, and in view of the potential adverse impact of any of the following events on such a public offering, this Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the City prior to delivery of and payment for the Bonds, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of this Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Bonds;

(ii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent

jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds;

(iii) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds;

(vi) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(vii) the declaration of war or the escalation of, or engagement in, military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government of, or the financial community or financial markets in, the United States or elsewhere, or the escalation of such calamity or crisis, which, in the judgment of the Underwriter, makes it impracticable or inadvisable to proceed with the offering or the delivery of the Bonds on the terms and in the manner that are contemplated in the Preliminary Official Statement or the Official Statement;

(viii) any rating of the Bonds or the rating of any obligations of the City secured by the City's general fund shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds;

(ix) the commencement of any action, suit or proceeding described in Sections 6(h) or 7(h); or

(x) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred, which, in the reasonable opinion of the

Underwriter, materially adversely affects the marketability or market price of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds.

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

- (i) The executed Authority Resolution;
- (ii) The executed City Resolution;
- (iii) The City Documents and the Authority Documents, each duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;
- (iv) Specimen Bonds;
- (v) Evidence that the Assignment Agreement, the Site Lease and the Lease, or memoranda thereof, have been recorded in the Office of the County Recorder of the County of Mendocino;
- (vi) Evidence that the insurance required to be in effect on the Closing Date under the Lease is in fact in effect as of such date;
- (vii) The approving opinion of Bond Counsel dated the Closing Date and addressed to the City, in substantially the form attached as an appendix to the Official Statement, and a reliance letter or letters thereon addressed to the Underwriter and the Trustee;
- (viii) A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:
 - (A) the statements on the cover of the Official Statement and in the Official Statement under the captions "INTRODUCTION," "FINANCING PLAN," "THE BONDS," "SECURITY FOR THE BONDS" and "TAX MATTERS," and in Appendices C and E, excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the City Documents, the Authority Documents and Bond Counsel's final opinion concerning certain tax matters relating to the Bonds, present a fair and accurate summary of the provisions thereof as of the Closing Date, provided that Bond Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Bonds are initially issued;
 - (B) The Purchase Agreement has been duly authorized, executed and delivered by the City and is the valid, legal and binding agreement of the City enforceable in accordance with its terms, except that the rights and obligations under the Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; and

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ix) The Official Statement, executed on behalf of the City and/or the Authority, and the Preliminary Official Statement;

(x) Evidence that the rating on the Bonds is as described in the Official Statement;

(xi) A certificate, dated the Closing Date, signed by a duly authorized officer of the Authority satisfactory in form and substance to the Underwriter substantially as set forth in Exhibit B;

(xii) A certificate, dated the Closing Date, signed by a duly authorized officer of the City satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the City contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the City, and the City has complied with, in all material respects, all of the terms and conditions of the Purchase Agreement required to be complied with by the City at or prior to the Closing Date; (ii) to the best of such officer's knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Preliminary Official Statement (other than information in the Official Statement under the caption "UNDERWRITING" and information regarding DTC and its book-entry only system) did not as of its date and as of the pricing date of the Bonds and the Official Statement (other than information in the Official Statement under the caption "UNDERWRITING" and information regarding DTC and its book-entry only system) did not as of its date and does not as of the Closing Date contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the City is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Site Lease and the Lease) or other instrument to which the City is a party or is otherwise subject, which would have a material adverse impact on the City's ability to perform its obligations under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(xiii) An opinion dated the Closing Date and addressed to the Underwriter, of counsel to the Authority, satisfactory in form and substance to the Underwriter substantially as set forth in Exhibit C;

(xiv) An opinion dated the Closing Date and addressed to the Underwriter, of the City Attorney, to the effect that:

(A) The City is a municipal corporation that is duly organized and existing under and by virtue of the general laws of the State of California;

(B) The City Resolution was duly adopted at a regular meeting of the City at which a quorum was present and acting throughout, is in full force and effect and has not been modified, amended, rescinded or repealed since its date of adoption;

(C) The City Documents have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, as applicable, constitute the valid and binding obligations of the City, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(D) To the best of such counsel's knowledge, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory officer or body which has not already been obtained is required to be obtained by the City for the execution and performance of the City Documents or the actions on the part of the City contemplated thereby, including causing the issuance of the Bonds;

(E) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental authority or body, pending, with service of process upon the City having been accomplished, or threatened in writing against the City, challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the payment of the Lease Payments or the repayment of the Bonds or in any way contesting or affecting the validity of the City Documents or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or which, in any manner, questions the right of the City to pay the Lease Payments under the Lease; and

(F) To the best of such counsel's knowledge, the execution and delivery of the City Documents and compliance with the provisions thereof do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, which breach or default has or may have a material adverse effect on the ability of the City to perform its obligations under the City Documents;

(xv) A letter of Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the City dated the date of Closing and addressed to the Underwriter substantially to the effect that, on the basis of the information made available to them in the course of their participation in the preparation of the Official Statement as disclosure counsel, but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement, no facts have come to the attention of the personnel in such firm directly involved in rendering legal advice and assistance to the City in connection with the preparation of the Official Statement which caused them to believe that (A) the Preliminary Official Statement as of its date or as of _____, 2021

(excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system; statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Preliminary Official Statement under the caption "TAX MATTERS," and in Appendices A through C and Appendices E and F to the Preliminary Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yields, interest rates, maturities, amortization, redemption provisions, debt service requirements, Underwriter's discount and CUSIP numbers or (B) the Official Statement as of its date or as of the Closing Date (excluding therefrom financial, demographic and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to DTC, Cede & Co. and the operation of the book-entry system, statements relating to the treatment of the Bonds or the interest, discount or premium, if any, thereon or therefrom for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption "TAX MATTERS," and in Appendices A through C and Appendices E and F to the Official Statement; as to all of which they express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(xvi) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xvii) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Bond Counsel;

(xviii) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, in form and substance satisfactory to the Underwriter, and an incumbency certificate of the Trustee;

(xix) A certificate dated the Closing Date, signed by NHA Advisors LLC relating to the Preliminary Official Statement and the Official Statement;

(xx) For each of the Bonds and the Lease, the preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xxi) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system;

(xxii) A certificate, dated the date of the Preliminary Official Statement, of the City and the Authority, as required under Rule 15c2-12;

(xxiii) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the City;

(xxiv) A certified copy of the joint exercise of powers agreement of the Authority, together with documentation from the Secretary of State with respect to the Authority's good standing; and

(xxv) Such additional legal opinions, certificates, proceedings, instruments or other documents as Bond Counsel or the Underwriter may reasonably request.

Section 9. Changes in Official Statement. After the Closing, the City and the Authority will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Bonds, the Trustee, the City or the Authority shall occur as a result of which it is necessary, in the opinion of the Underwriter and Disclosure Counsel, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the City will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The City and the Authority shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB. The Underwriter acknowledges that the end of the underwriting period will be the Closing Date unless the Underwriter gives notice to the City and the Authority to the contrary in accordance with Sections 7(j) and 6(j), respectively.

Section 10. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the City and the Authority shall pay or cause to be paid (out of any legally available funds) all expenses that are incident to the performance of the City's and the Authority's obligations hereunder, including, but not limited to, the cost of printing and delivering the Bonds to the Underwriter, the cost of preparation, printing, distribution and delivery of the City Documents, the Authority Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Municipal Advisor, Bond Counsel and Disclosure Counsel and any accountants, engineers or any other experts or consultants that the City or the Authority has retained in connection with the issuance of the Bonds and any other expenses that are agreed to by the parties; and

(b) The City and the Authority shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Agreement; expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Bonds (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

Section 11. Notices. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, CA 94104, Attention: Municipal Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the City or the Authority under this Purchase Agreement may be given by delivering the same in writing to the applicable address set forth on the first page of this Purchase Agreement.

Section 12. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City, the Authority and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 13. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 14. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 15. Survival of Representations and Warranties. The representations and warranties of the City and the Authority in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and the Authority and regardless of delivery of and payment for the Bonds.

Section 16. Effectiveness. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and the Authority and shall be valid and enforceable as of the time of such acceptance.

Section 17. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: _____
Title: Authorized Officer

Accepted as of the date first stated above:

CITY OF FORT BRAGG

By: _____
Its: City Manager

CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY

By: _____
Its: Executive Director

EXHIBIT A

\$ _____

\$ _____

**CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 LEASE REVENUE BONDS
(FEDERALLY TAXABLE)**

MATURITY SCHEDULE

<i>Maturity Date (May 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>
--------------------------------------	-----------------------------	--------------------------	--------------

^T Term Bond.

EXHIBIT B

\$ _____
CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 LEASE REVENUE BONDS
(FEDERALLY TAXABLE)

CLOSING CERTIFICATE OF THE AUTHORITY

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the City of Fort Bragg Joint Powers Financing Authority (the “**Authority**”) and is duly authorized to execute and deliver this certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(i) The covenants, representations and warranties of the Authority contained in the Authority Documents (as such term is defined in the Bond Purchase Agreement, dated _____, 2021, by and among the City of Fort Bragg (the “**City**”), the Authority and Oppenheimer & Co. Inc. (the “**Underwriter**”), are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The resolution of the Authority approving and authorizing the execution of the Authority Documents was duly adopted at a regular meeting of the Authority held on _____, 2021 at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Authority has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned obligations (the “**Bonds**”).

(iv) The Preliminary Official Statement dated _____, 2021 relating to the Bonds did not contain on its date and on the date of pricing of the Bonds any untrue or misleading statement of a material fact and did not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and the Official Statement dated _____, 2021 relating to the Bonds (the “**Official Statement**”) does not contain any untrue or misleading statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

Dated: _____, 2021

CITY OF FORT BRAGG JOINT POWERS
FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT C

CLOSING OPINION OF THE COUNSEL TO THE AUTHORITY

City of Fort Bragg
Fort Bragg, California

Oppenheimer & Co. Inc.
San Francisco, California

City of Fort Bragg Joint Powers Financing Authority [Trustee]
Fort Bragg, California

§ _____
CITY OF FORT BRAGG JOINT POWERS FINANCING AUTHORITY
2021 LEASE REVENUE BONDS
(FEDERALLY TAXABLE)

Ladies and Gentlemen:

We have acted as counsel to the City of Fort Bragg Joint Powers Financing Authority (the “**Authority**”) in connection with issuance of the above-captioned obligations (the “**Bonds**”). As such, we have examined: (i) the Lease Agreement, dated as of November 1, 2021 (the “**Lease**”), by and between the City of Fort Bragg (the “**City**”) and the Authority; (ii) the Site Lease, dated as of November 1, 2021 (the “**Site Lease**”), by and between the City and the Authority, (iii) the Assignment Agreement, dated as of November 1, 2021 (the “**Assignment Agreement**”), by and between the Authority and _____, as trustee (the “**Trustee**”) (iv) the Indenture of Trust, dated as of November 1, 2021 (the “**Indenture**”), by and between the Authority and the Trustee; (v) the Bond Purchase Agreement, dated _____, 2021 (the “**Purchase Agreement**”), by and among the City, the Authority and Oppenheimer & Co. Inc. (the “**Underwriter**”), as underwriter; and (vi) the resolution of the Authority adopted on _____, 2021 (the “**Authority Resolution**”) authorizing the execution and delivery of the foregoing documents. The Site Lease, the Lease, the Indenture, the Purchase Agreement, the Bonds and the Authority Resolution are hereinafter referred to collectively as the “**Authority Documents**.”

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

(i) the Authority is duly organized and validly existing as a joint exercise of powers agency under the laws of the State of California and is possessed of full power to own and hold real and personal property and to lease and sell the same;

(ii) the Authority Resolution was duly adopted at a regular meeting of the governing body of the Authority which was called and held pursuant to law, with all public notice required by law and at which a quorum was present and acting throughout;

(iii) the Authority has full right and lawful authority to execute and deliver the Authority Documents and such documents have been duly authorized, executed and delivered by and on behalf of the Authority. Assuming the due authorization, execution and delivery by the other parties thereto, the Authority Documents are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by

bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(iv) to the best of our knowledge, after investigation, there is no action, suit, proceeding, inquiry, or investigation before or by any court or public board or body pending or threatened wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated by the Bonds, the Authority Documents or any other agreement, document, or certificate related to such transaction;

(v) insofar as it will have a material adverse effect on the ability of the Authority to enter into, carry out or perform its obligations under the foregoing agreements or to consummate the transactions contemplated thereby, to the best of our knowledge, after investigation, the Authority is not in material breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, and, to the best of our knowledge no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument; and

(vi) no authorization, approval, consent, or order of any governmental agency or, to the best of our knowledge, any other person or corporation is required for the valid authorization, execution and delivery of the Authority Documents on behalf of the Authority that has not been obtained.

This opinion is rendered solely in connection with the financing described herein, and may not be relied upon by you for any other purpose. We disclaim any obligation to update this opinion. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without our prior written consent.

This opinion may be relied upon by the Authority, the City, the Underwriter and the Trustee, and their successors and assigns.

Respectfully submitted,

ATTACHMENT 9

SB 450 GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by NHA Advisors, LLC, the City's Municipal Advisor (the "Municipal Advisor").

Principal Amount. The Municipal Advisor has informed the City that, based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$11,395,000.00 (the "Estimated Principal Amounts").

True Interest Cost of the Bonds. The Municipal Advisor has informed the City that, assuming that the respective Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.3119919%.

Finance Charge of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$393,211.65.

Amount of Proceeds to be Received. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the City for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any capitalized interest on the Bonds paid or funded with proceeds of the Bonds, is \$11,001,788.35.

Total Payment Amount. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the respective proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$16,900,457.41.

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on October 5, 2021. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the respective Estimated Principal Amounts, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a

combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on various factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.



CITY OF FORT BRAGG

Incorporated August 5, 1889

416 N. Franklin Street, Fort Bragg, CA 95437

Phone: (707) 961-2827 Fax: (707) 961-2802

<https://city.fortbragg.com/>

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN, pursuant to Section 6586.5 of the California Government Code, that the City Council of the City of Fort Bragg (the "City") will hold a public hearing on Tuesday, October 12, 2021, at the hour of 6:00 p.m., virtually via Zoom video conference. At the public hearing, the City will consider the proposed issuance of bonds by the City of Fort Bragg Joint Powers Financing Authority for the purpose of providing financing for public capital improvements of the City anticipated to consist of, but not limited to, improvements at the Southern Mill Site.

At the public hearing, the City will determine whether there are significant public benefits to citizens of the City from such proposed financing, including a more efficient delivery of City services to residential and commercial development and demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs (in accordance with Section 6586 of the California Government Code). All interested persons may appear at the public hearing to address the City on the foregoing matters.

Dated: October 4, 2021

June Lemos, CMC, City Clerk

POSTING DATE: October 4, 2021

PUBLICATION DATE: October 7, 2021

STATE OF CALIFORNIA)
) ss.
COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg and that I caused this notice to be posted in the City Hall Notice case on October 4, 2021.

June Lemos, CMC, City Clerk



CIUDAD DE FORT BRAGG

Incorporada el 5 de agosto 1889

416 N. Franklin Street, Fort Bragg, CA 95437

Teléfono: (707) 961-2827 Fax: (707) 961-2802

<https://city.fortbragg.com/>

AVISO DE AUDIENCIA PÚBLICA

POR LA PRESENTE SE DA AVISO , de conformidad con la Sección 6586.5 del Código de Gobierno de California, que el Concejo Municipal de la Ciudad de Fort Bragg (la "Ciudad") tendrá una audiencia pública el martes 12 de octubre 2021, a la hora de las 6: 00 pm, virtualmente a través de videoconferencia Zoom. En la audiencia pública, la Ciudad considerará la propuesta de la otorgación de bonos por parte de la Autoridad de Financiamiento de Poderes Conjuntos de la Ciudad de Fort Bragg con el propósito de proporcionar financiamiento para mejoras del capital público de la Ciudad que se prevé que consistan en, pero no se limitan a, mejoras en la sitio hacia el sure del molino.

En la audiencia pública, la Ciudad determinará si existen beneficios públicos significativos para los ciudadanos de la Ciudad a partir de tal financiamiento propuesto, incluyendo una entrega más eficiente de los servicios de la Ciudad para el desarrollo residencial y comercial y ahorros demostrables en la tasa de interés efectiva, preparación de bonos, costos de suscripción y emisión de bonos (de acuerdo con la Sección 6586 del Código de Gobierno de California). Todas las personas interesadas pueden presentarse en la audiencia pública para dirigirse a la Ciudad sobre los asuntos antepuestos.

Fecha: 4 de octubre 2021

June Lemos, CMC, Secretaria de la Ciudad

FECHA DE DIFUSIÓN : 4 de octubre 2021

FECHA DE PUBLICACIÓN: 7 de octubre 2021

ESTADO DE CALIFORNIA)
) ss.
CONDADO DE MENDOCINO)

Declaro, bajo pena de perjurio, que soy empleada de la Ciudad de Fort Bragg y que hice que este aviso se publicara en la vitrina de avisos del Ayuntamiento el 4 de octubre 2021.

June Lemos, CMC, Secretaria de la Ciudad

MENDOCINO RAILWAY

Foot of Laurel Street
Fort Bragg, California 95437

707 964 6371 TEL
707 964 6428 FAX

Citizens of Fort Bragg -

On October 12th at 6pm the City Council is looking to mortgage the police station and city hall to take on more than they can handle with nothing more than a Zoom call. In closed sessions, the city has developed a plan to mortgage key city properties to raise enough money to outbid the Skunk Train's efforts to purchase and develop Mill Site South. Something the city has had no interest in doing until now.

Facing a crisis with nearly \$10M in unfunded CalPers debt (retirement benefits for city employees) which is accruing interest at 7%, the city seeks to pile on an extra \$3,500,000 for the purpose of purchasing the Mill Site South and then indemnifying Georgia Pacific from their own environmental remediation! The mayor's plan buys Mill Site South with massive environmental issues and unlimited liability for the city to clean-up simply to interfere with Mendocino Railway's plan to redevelop the property... Recall that the railroad and the mill site have historically been owned and operated by a single company since its creation. Mendocino simply looks to restore that historic relationship.

When Mendocino Railway purchased the historic Skunk Train out of bankruptcy in 2004 it immediately engaged in discussions with Georgia Pacific about the closed mill site property. In 2019, after many years of city "process" Mendocino Railway was able to close escrow on Mill Site North, 77-acres spanning from the northern edge of Redwood Avenue out to the Coastal Trail, and all the way north to the Glass Beach Parking Lot. Once this transaction was completed, Mendocino Railway provided plans that met with strong support from the city council.

In February 2021 Mendocino acquired a 15-acre purchase from Harvest Market at the corner of Cypress and Main Streets on the former mill site. Mendocino only proceeded with this purchase because the city had encouraged Mendocino Railway to use this for its expansion plans.

Mendocino then worked with GP for a purchase of balance of the mill site, known as Mill Site South. Mendocino Railway recognized the need for a master plan to develop the whole site to ensure consistent planning; (the city abandoned the process in 2020) utilities, water supply and infrastructure planning. Mendocino kept the city manager and mayor informed of the progress of their purchase.

The city then decided to take the purchase from the railroad. With no director of planning, discussion of the city manager going part-time, massive debts, countless other priorities, and failing infrastructure, the city still feels that mortgaging its future and to provide Georgia Pacific with unlimited protection against its own clean-up costs is the right path.

Since 1885, the railroad and city have long had and amicable relationship. The Skunk has been the largest source of tourist revenue for the city and a significant employer. Annually, 75% of the Skunk Train's 65,000 plus passengers travel from Fort Bragg, 80% stay an average of 2.53 nights and have most recently spent \$803 per party during their trip. In the previous 5 years, passengers on the Skunk Train have generated 150,000 room night stays and over \$50,000,000 in spending.

We urge the citizens of Fort Bragg to stand up and say no to the officials who look to mortgage our towns future simply to fuel a war against the Skunk Train.

Robert Jason Pinoli
President - Mendocino Railway

2021 FINANCING PROJECT CALPERS UAL RESTRUCTURING & POTENTIAL ACQUISITION OF SOUTHERN MILL SITE PROPERTY

PROCESS UPDATE AND FINAL APPROVAL



NHA | ADVISORS
Financial & Policy Strategies.
Delivered.

OCTOBER 12, 2021

Table of Contents

- ▶ Background/Objectives
- ▶ Pension Bond Market Update
- ▶ City of Fort Bragg Recommend Financing Strategy
- ▶ Lease Structure
- ▶ Documents Being Approved
- ▶ Next Steps



Background

- ▶ Over the course of the last 12 months, City Staff has been exploring pension cost management strategies for its growing Unfunded Accrued Liability (UAL) with CalPERS
 - ▶ The UAL is a debt with CalPERS that represents the shortfall between what the City currently has in assets vs. how much it will need to fully pay retiree benefits
 - ▶ This debt is legally required to be paid and required to be accounted for in audited financial statements
 - ▶ Current outstanding UAL balance is \$11.4 million (6/30/2020 valuation)
 - ▶ This gap/shortfall is paid back at a 7.0% interest rate currently (though this rate may decrease to 6.50% or 6.75% as described in the presentation)
- ▶ At the same time, staff has also been exploring options for funding the acquisition of certain property at the Southern Mill site



2021 Financing Project

City Objectives

Fund \$3.5M Mill Site Project While Preserving General Fund Cash Reserves/Liquidity

- City prudently intends to maintain liquidity/reserves and borrow for project at historically low interest rates; borrowing also ensures better matching of assets to liabilities

Save Money Through Restructuring Pension Debt

- Generate interest rate savings (Convert 7% CalPERS debt to \approx 3.25 - 3.50% bond debt)
- Create a smoother repayment shape to enhance budget predictability and future resiliency to economic shocks + Lower the City's annual payments to create capacity to afford the \$3.5M site acquisition debt + Shorten final term of UAL debt

Secure Lowest Interest Rate on Debt

- City recently went through credit rating process (results this Friday) and intends to secure "AA" bond insurance

Flexibility

- City can pay off debt immediately if funds aren't needed for Mill Site OR use for Broadband project; City will also be able to pay off pension debt portion after 10 years if desired

Use Most Cost-Effective and Efficient/Flexible Structure

- One lease financing allows for cost savings and efficiency

Don't Burden Taxpayers with Debt

- City will fund debt with General Fund as opposed to going to voters for increased taxes for bonds

Reduce any Budgetary Impact on General Fund

- Restructuring the pension debt allows the \$3.5M debt to be layered in without any budgetary impact



2021 Financing Project





Process Update/Overview

- ▶ **December 2020:** Staff and Consultant delivered CalPERS UAL Presentation to City's Finance Committee
- ▶ **June 2021:** NHA delivered presentation to full City Council on CalPERS UAL cost management strategies and pros/cons and risks of a UAL Restructuring
- ▶ **July 2021 – September 2021:**
 - ▶ Financing Team Assembled
 - ▶ Continued refinements to financing options and strategy
 - ▶ Drafting of bond documents
 - ▶ September 20, 2021 – update presentation to City Council and feedback on proposed strategy
 - ▶ Market update, CalPERS update, options, recommended financing strategy, benefits/risks, schedule
 - ▶ October 7, 2021 – credit rating presentation to S&P
- ▶ **October 12, 2021** – final approval of financing and bond documents



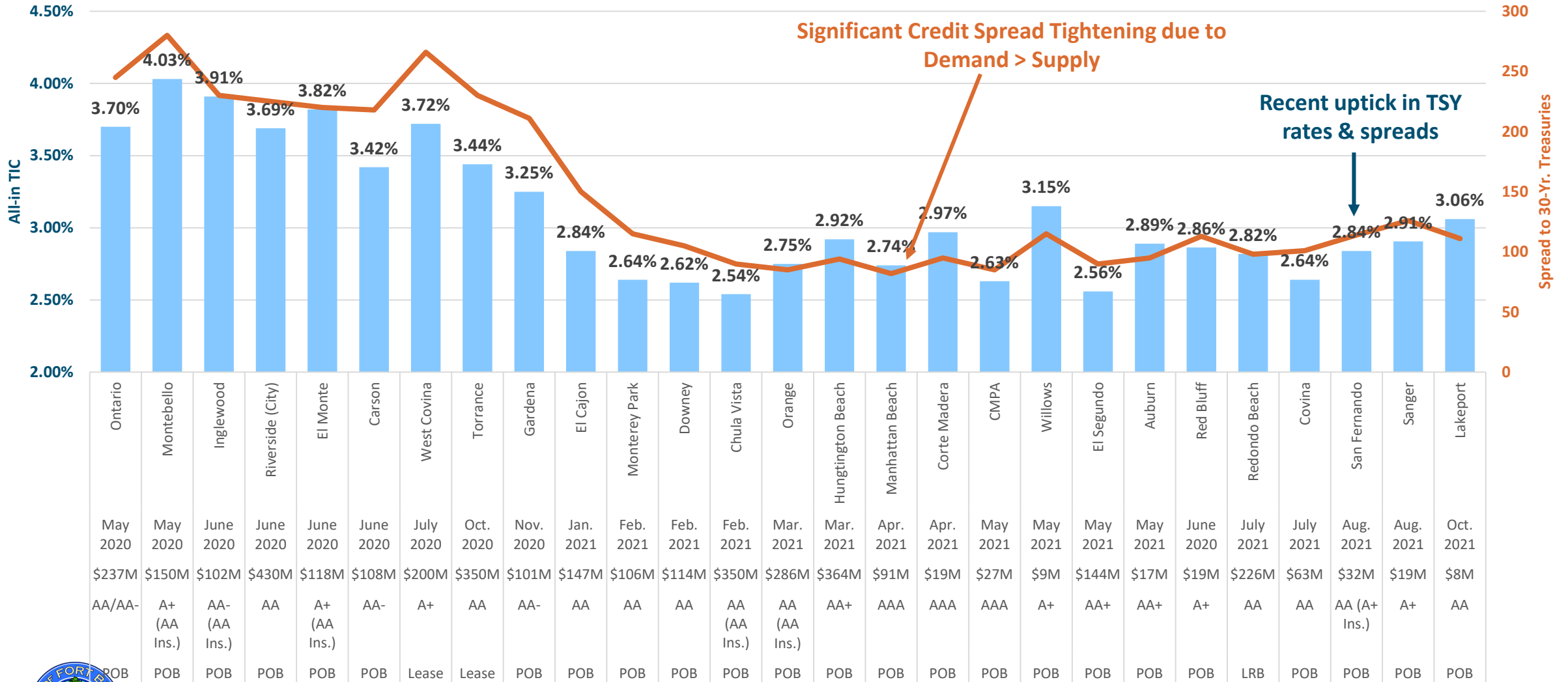
Market Update – Recent UAL Restructurings

- ▶ Since 2020, about 70 agencies have issued UAL Restructuring bonds for over \$6.5 billion in UAL funded
 - ▶ Interest rates have ranged from 2.54% to about 4.25%
- ▶ Vast majority of cities to come to market in 2021 have achieved < 3.0% interest rates
- ▶ Several planned for issuance this Fall 2021

									
Lakeport	Corona	San Anselmo	Santa Ana	Commerce	Buena Park	Sanger	San Fernando	Whittier	Redondo Beach
(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)
\$7,920,000	\$276,710,000	\$9,285,000	\$425,830,000	\$27,875,000	\$96,385,000	\$19,450,000	\$31,780,000	\$133,895,000	\$226,180,000
AA	AA+	AAA	AA	AA-	AA+	A+	AA (Ins.)	AA (Ins.)	AA
									
Red Bluff	Auburn	El Segundo	Willows	Corte Madera	Manhattan Beach	Huntington Beach*	Orange	Chula Vista	Downey
(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)	(2021)
\$18,540,000	\$17,165,000	\$144,135,000	\$8,510,000	\$18,955,000	\$91,275,000	\$363,645,000	\$286,485,000	\$350,025,000	\$113,580,000
A+	AA+	AA+	A+	AAA	AAA	AA+	AA	AA	AA
									
Monterey Park*	El Cajon	Ukiah	Coachella	Gardena	Arcadia	Placentia	Torrance	Azusa	Pomona
(2021)	(2021)	(2020)	(2020)	(2020)	(2020)	(2020)	(2020)	(2020)	(2020)
\$106,335,000	\$147,210,000	\$49,875,000	\$17,590,000	\$100,590,000	\$90,000,000	\$52,950,000	\$349,515,000	\$70,075,000	\$219,890,000
AA	AA	A+	AA-	AA-	AAA	BBB+	AA	AA-	AA-

* Secured by pension tax override

POB Market Update: POB Interest Rates (Blue Bars) Have Dropped Dramatically due to Growing Investor Demand (Orange Line)



Note: Spreads and interest rates should be considered best estimates. Rates reflect estimated TIC or all-in TIC.



Major Change Since June Workshop

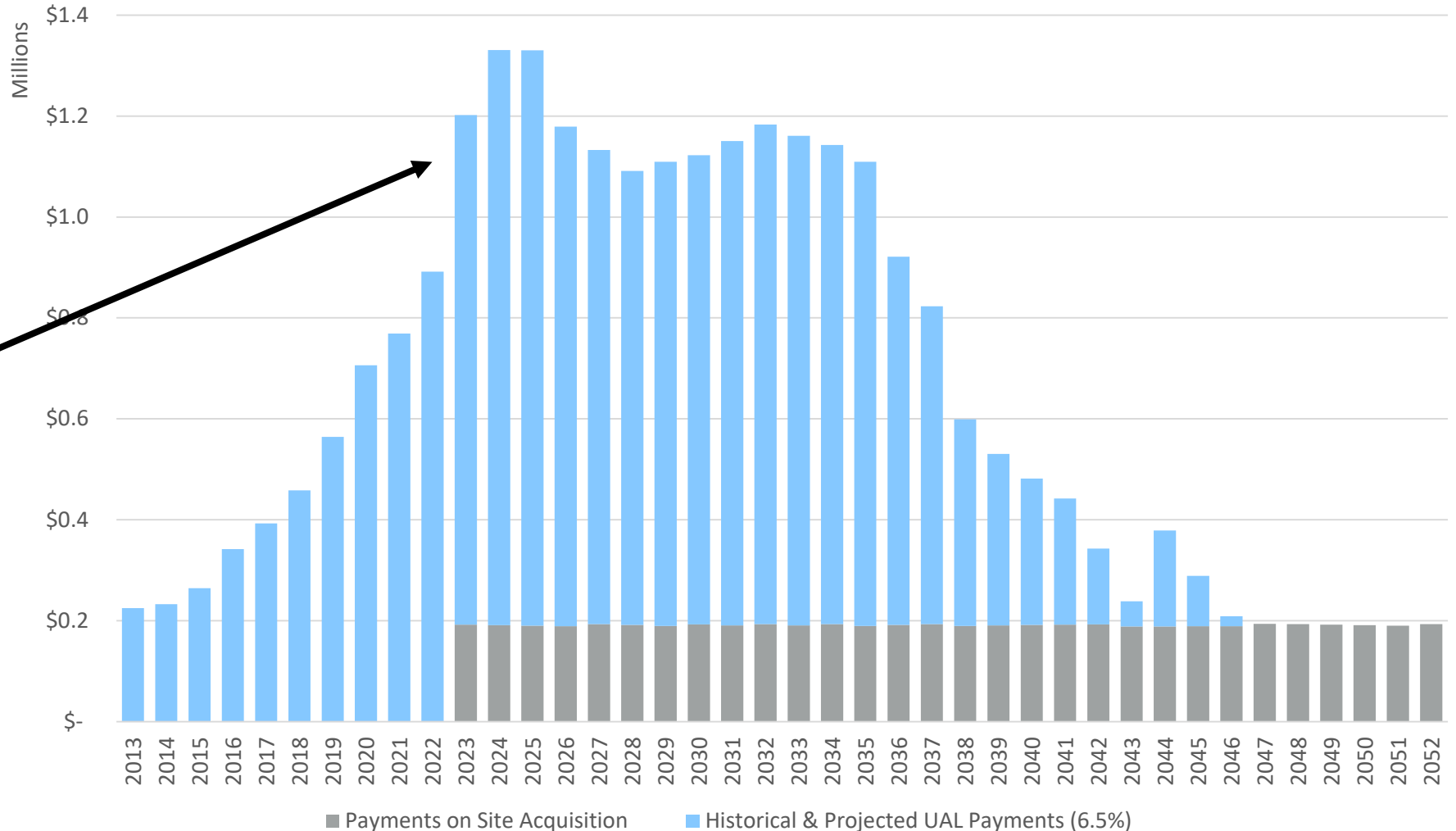
CalPERS 21.3% Gains Will Reduce City's UAL

- ▶ Given CalPERS strong 21.3% returns, City's current \$11.4M UAL debt will be reduced significantly
- ▶ However, CalPERS will offset some of this benefit through a reduction in its Discount Rate this November (their assumed rate of investment return)
 - ▶ If Discount Rate is reduced to 6.75%, City's estimated UAL will be \$8.4M
 - ▶ If Discount Rate is reduced to 6.50%, City's estimated UAL will be \$9.8M (assumed for preliminary analysis)



New Baseline Situation: Estimated Repayments for City's 9.8M UAL and Payments on \$3.5M 30-Year Bond for Southern Mill Site Project

- ▶ Even with reduction in UAL, General Fund debt payments expected to be between \$1.1 and \$1.4M through FY 2035
- ▶ Payments on UAL (light blue bars) are uneven
 - ▶ Final payment on UAL in 2046

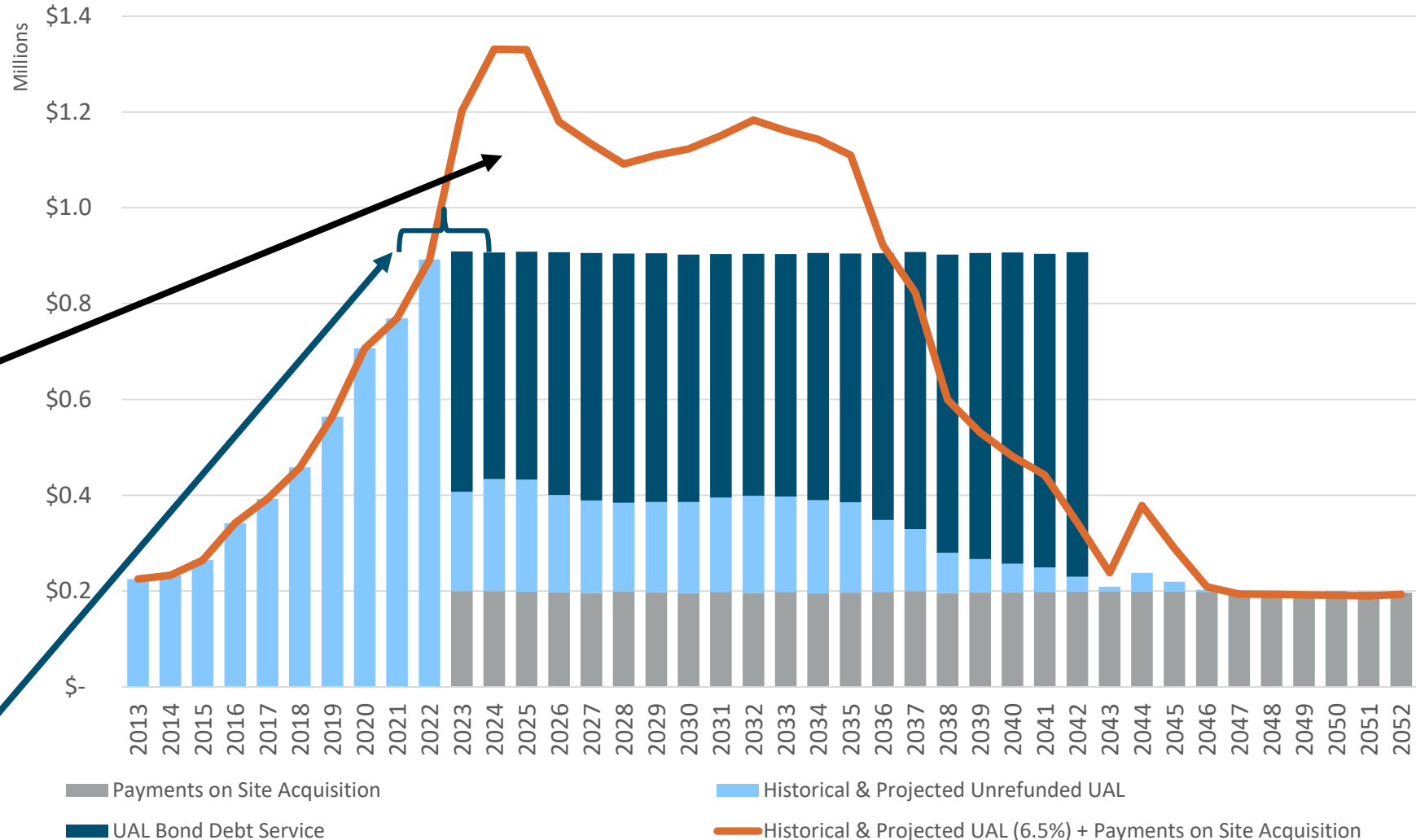


Note: Estimated UAL payments sourced from CalPERS Outlook Tool

Restructuring Strategy to Reduce Budgetary Impact

Baseline Payments (Orange) vs. New Proposed Payments (Bars)

- ▶ 70-80% of UAL refinanced (dark blue bars) to create overall lower/smoother debt payments for General Fund
 - ▶ Term reduced to 2042
- ▶ Overall payments significantly lower (\$3.6M est. savings) vs. Baseline through 2035 shown in orange line
- ▶ Restructuring allows for overall General fund debt payments of \$900K annually
 - ▶ No increase to what City just paid on UAL for FY 2022



Note: Estimated UAL payments sourced from CalPERS Outlook Tool

Estimated Savings Analysis for Proposed UAL Restructuring

Metrics	\$7.5M UAL Restructuring
\$ UAL Payoff	\$7,500,000
% UAL Funded (Current Asset Valuations)	68%
Funded Ratio (Current Asset Valuations)	91%
% UAL Funded (Projected After FY 2021 Returns & 6.5% Discount Rate)	80%
Funded Ratio (Projected After FY 2021 Returns & 6.5% Discount Rate)	96%
Maturity	20 Years
Average Life	12.8 Years
True Interest Cost (on UAL Restructuring)	3.23%
All-In Interest Cost (on UAL Restructuring)	3.52%
Present Value Savings (%)	23.36%
Present Value Savings (\$)	\$1,829,159
Cumulative Savings	\$1,691,848
Savings (2023-2035)	\$3,558,684
Avg. Annual Savings (2023-2035)	\$273,745



Note: Savings assume CalPERS earns 6.50% on average over next 20 years

Revisiting UAL Restructuring Risks

CalPERS Reinvestment/Market Timing Risk

- ▶ Savings is ultimately dependent on future CalPERS returns, which are unknown at time of issuance
 - ▶ If CalPERS earns less than 6.50/6.75%, savings will be less than shown on previous pages
 - ▶ If CalPERS earns more than 6.50/6.75%, savings will be more than shown on previous pages
- ▶ Rule of Thumb: Present value savings occur ONLY if CalPERS earns greater returns than pension bond interest rate (i.e., 3.15-3.50% in current market)
 - ▶ City would be worse off if CalPERS earned less than bond rate (3.15-3.50%) on average over next 20 years
 - ▶ Near-term losses exacerbate this risk given large lump sum deposit into the market

CalPERS 5-Year Average Annual Return: 10.5%

CalPERS 10-Year Average Annual Return: 8.8%

CalPERS 20-Year Average Annual Return: 7.4%

CalPERS 30-Year Average Annual Return: 7.5%



Financing Structure

Lease-Lease Back with Fort Bragg Joint Powers Financing Authority

- ▶ City will use a lease-lease back financing structure to effectuate the financing
- ▶ Most common type of structure to effectuate California General Fund backed borrowing
 - ▶ No tax increase needed, provides long term financing from City funds
 - ▶ Most common general fund financing method for cities in California
 - ▶ **325+ issuances for California Cities over last 20 years**
 - Examples include for Ukiah, Arcata, Willits, Eureka, Redding, Lakeport, Willows, Santa Rosa, Sausalito, Corte Madera, Half Moon Bay, Morro Bay, Scotts Valley, Williams, Windsor, Yreka, Yountville and Mendocino County
- ▶ City owned assets are utilized to effectuate the structure, but are there is no risk of foreclosure or any title/deed transfer of ownership
 - ▶ If for some reason the City did not pay on its debt, the trustee or bond insurer could “re-let” (lease to another party) the asset in order to generate the revenue needed to pay for the financing.
- ▶ While the City has several assets, City Hall and Police Station are structurally sound and provide the City lowest interest rate possible
 - ▶ If City has future borrowing needs, it can use other assets or the same assets if there is sufficient capacity (value to lease obligation) to leverage



Recap of Financing Strategy

- ▶ **One lease revenue bond for pension debt restructuring**
 - ▶ **Flexibility:** Can pay debt off early or use for other projects
 - ▶ **Savings:** City will leverage benefit of pension restructuring to layer in \$3.5M Mill Site debt without any impact on annual budget
 - ▶ **No impact to taxpayers**
 - ▶ **Efficiency:** One transaction (vs. two) saves on financing costs and staff time
 - ▶ **Lowest Interest Rate:** Essential assets and strong credit rating will allow City to take advantage of historically low rates
- ▶ While the use of proceeds for \$3.5M Mill Site project is in line with City’s vision for “Blue Economy” and sustainable development, this transaction will not be designated as ESG (Environment, Social, Governance Bond)
 - ▶ City would like to maintain flexibility to use proceeds for other projects if desired (i.e. Broadband) that cannot be designated as ESG



Documents Being Approved Tonight

▶ Site Lease

- ▶ Agreement between the City as lessor and the Authority as lessee, under which the City leases the Leased Property (i.e., City Hall and Police Station) to the Authority in consideration of the payment of an upfront amount which will be applied by the City to the projects being financed

▶ Lease Agreement

- ▶ Agreement between the Authority as lessor and the City as lessee, under which the Authority leases the Leased Property back to the City and the City agrees to pay semiannual lease payments to provide revenues with which to pay principal and interest on the 2021 Bonds when due

▶ Indenture of Trust

- ▶ Provides for execution and delivery of the 2021 Bonds and lays out the covenants and specifics of the 2021 Bonds, as well as the Trustee's duties, repayment mechanisms, default and remedies provisions, and Bondholder's associated rights and remedies

▶ Assignment Agreement

- ▶ Provides the terms and conditions under which the Authority assigns the City's lease payments to the Trustee, for ultimate payment to the Bondholders

▶ Preliminary Official Statement

- ▶ The primary marketing document to prospective bond purchasers containing information on the plan of finance, security for the bonds, information on the City and continuing disclosure requirements

▶ Bond Purchase Agreement

- ▶ Agreement whereby the Underwriter will agree to purchase the 2021 Bonds and make a bona-fide public offering



Next Steps and Proposed Schedule

September 20th –
Presentation;
Council Q&A and
Guidance

October 12th –
City Council
Approval of
Financing, Legal
Documents, POS
and Pension
Funding Policy

Early November –
Bond Closing (City
Received Funds
and Pay Off UAL
with CalPERS)

Early October –
Credit Rating
Presentation to
Standard and
Poor's (S&P)

Late October –
Bond Pricing (Lock
Interest Rate)



Note: The POS is the Preliminary Official Statement and is the prospectus used to solicit interest for the City's bonds from investors



City of Fort Bragg

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Fort Bragg, CA 95437
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Text File

File Number: 21-537

Agenda Date: 10/12/2021

Version: 1

Status: Business

In Control: City Council

File Type: Resolution

Agenda Number: 8A.

Receive Report and Consider Adoption of City Council Resolution Downgrading Water Conservation Stage from Stage 4 Water Crisis to a Stage 2 Water Warning



AGENCY: City Council
MEETING DATE: October 12, 2021
DEPARTMENT: City Manager/Public Works
PRESENTED BY: T. Miller
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Council Resolution Downgrading Water Conservation Stage from Stage 4 Water Crisis to a Stage 2 Water Warning

ISSUE:

The City of Fort Bragg Municipal Code Chapter 14.06, Water Conservation, updated on July 12, 2021, provides the City Manager with the discretion to determine whether the system's water supplies and sources available are sufficient to meet the current customer demands on the system after considering all relevant factors. The City Manager shall consider, among other things: 1) any variations in the reliability of the water supplies available to the system; 2) availability of well or other nonpotable water to meet the nonpotable demands on the water system; 3) weather forecast and other factors that impact flows in the City's surface water sources; and 4) the success, or lack thereof, of previous declarations of a less stringent water conservation stage in meeting the water-use reductions sought by the City.

Chapter 14.06 provides that the City Manager will determine the stage of water conservation. The City Manager is recommending the City Council downgrade the current Stage 4 Water Crisis to a Stage 2 Water Alert. Recent rainfall, although limited has increased the water flows in the Noyo River allowing the City to pull more water from the Noyo and divert flows from Waterfall Gulch to restore the water storage level in the Summers Lane Reservoir. Additionally, the City took possession of the Desalination-Reverse Osmosis Treatment System on September 24th and has completed the setup and testing of the unit to ensure that it is ready to treat brackish salt water during the next cycle of high tides.

ANALYSIS:

At the start of September, the flows in the Noyo River were at record lows, which meant that even during low tides the amount of water the City was able to pump from the river was limited and during high tides the water could not be treated by the City's Water Treatment Plant because of the saline content. By the end of September, flows in the Noyo River were above 2015 and 2020 levels allowing the water operators to pump more water than was necessary to meet daily supply. As a result, diversions from Waterfall Gulch were diverted to restore storage in the Summers Lane Reservoir. Moreover, the City now has the capacity to pump and treat brackish salt water during high tide cycles. As of writing this staff report, the Summers Lane Reservoir is nearly at capacity and continuing to be replenished.

The Summers Lane Reservoir started September full but as water from the reservoir was used to subsidize the limited amount available in the Noyo River it dropped to about 70% of capacity. Predictions a month ago, showed little sign of rain and indicated that water storage in Summers Lane Reservoir would drop to 50% by the end of September and continue to

be depleted through October. While staff felt relatively confident that the Desalination-Reverse Osmosis Treatment System would arrive before the end of September and be operational by the first of October, this was an unknown, given supply chain issues and shipping back logs, and was not taken into account in these more conservative predictions.

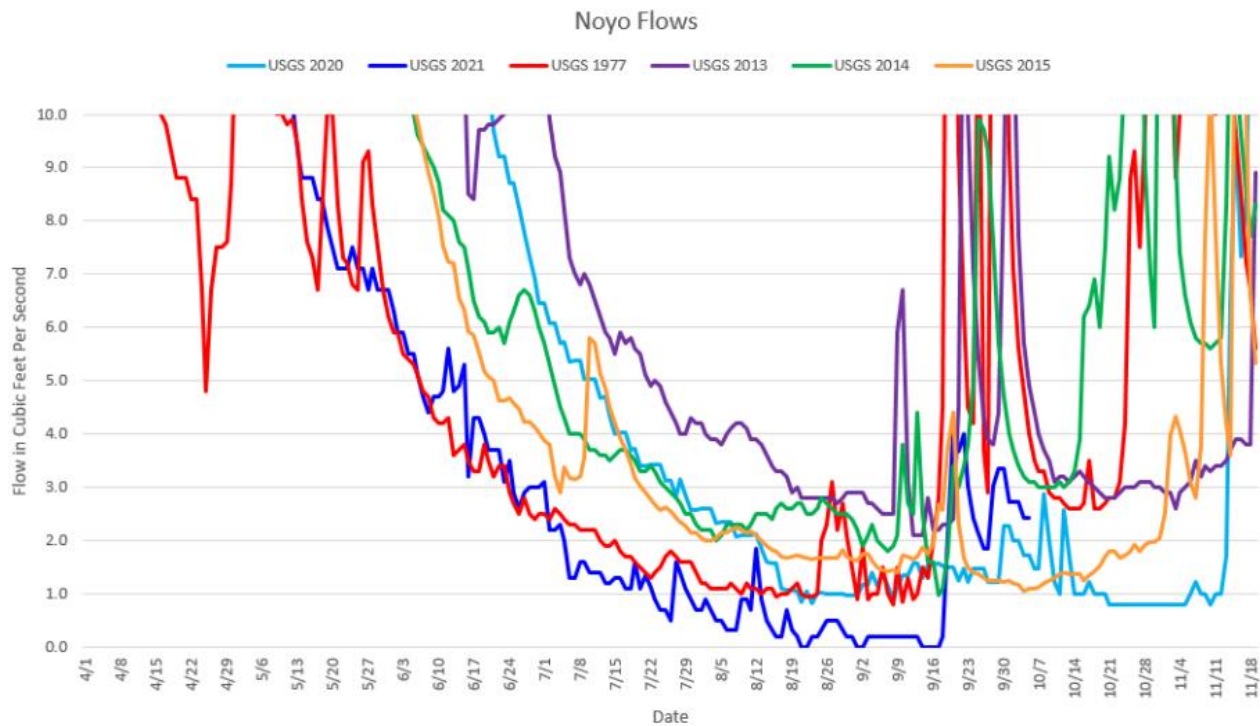
Water Supply Available

As explained before, the City of Fort Bragg's water supply system relies solely on three surface water sources: Waterfall Gulch (tributary to Hare Creek), Newman Gulch (tributary to Noyo River), and the Noyo River (diversion at Madsen Hole). In 2015, the City's water supply system could only store small amounts of water that provided enough to maintain proper water system pressure and to provide a safety margin for fire-fighting flows. Six years later, the City has made progress with water storage with the addition of a 1.5 million gallon finished water storage tank and the Summers Lane Reservoir with a raw water capacity of 14.7 million gallons. This brings our total water storage capacity to 22.6 million gallons, which is approximately 30 days of storage with average daily use, including water loss during production of 750k gallons.

During the winter and spring, pumping of the Noyo River is used only to supplement the Waterfall Gulch and Newman Gulch sources. The two tributary sources generally provide a higher quality of raw water and gravity-feed to the water treatment plant, whereas water from the City's Noyo River diversion must be pumped. As summer progresses and the flows in the tributary streams diminish, the Noyo River diversion is used more frequently and in greater quantities. In July, Waterfall Gulch and Newman Gulch provide approximately 40% of the City's water needs and 60% of summer water supply comes from the Noyo River. As the water levels in the Noyo River drop and the high tide levels rise, increased salinity levels in the Noyo River impact the City's ability to pump from this water source.

Most of the year, the City's three surface water sources meet or exceed the City's daily usage. During these times, the 22.6 million gallons of storage is regularly replenished and remains at capacity. Excess water continues to feed the river or streams down water from the source. Thus, while year round conservation saves money and builds good habits that benefit our environment, unlike water systems heavily dependent on water drawn from reservoirs, it does not save water that would be made available later. This means that balancing daily use versus daily supply is very important and reductions do not help the City unless they are needed at that point in time.

Flows in the Noyo River in the late summer and early fall depend on rainfall received, much more so than the Waterfall Gulch and Newman Gulch sources. Flows in the Noyo River typically hit the lowest levels in August and remain there until there is rainfall. Although not significant, the recent rain was sufficient to increase the Noyo River flows to levels above 2015 and 2020. Additionally, the cooler days and nights reduce evaporation and the trees and plants take less water from the Noyo River.



In addition to the Desalination-Reverse Osmosis Treatment System, the treated water from the FBUSD irrigation well should be available to the City in October to further supplement water supply, if needed.

Success of Prior Conservation Stages

Water usage for August 2021 was 17.96 million gallons, lower than any other August on record (records start in 1980). It is a 33.2% reduction from August 2019, the base year for our conservation comparisons. The City Council declared a Stage 3 Water Emergency on August 9 and implemented the Stage 3 Water Conservation Requirements on August 10. Stage 3 targeted a 20-30% reduction in seasonal water use. The 33.2% reduction for August, certainly exceeded this conservation goal that was only in effect for 2/3rds of the month.

Residents, businesses and visitors continued with strong conservation measure in September. September use was at 16.58 million gallons and was a 32% reduction from September 2019. The City had halted outside city water sales on July 18, 2021 because of the significant increase in demand that was impacting the water supply available to the City customer base. Outside sales were restored on September 8, 2021, after the City of Ukiah, Fort Bragg and Mendocino County entered into a Mutual Aid Agreement that provided water from Ukiah to be trucked to Fort Bragg and emptied into the Summers Lane Reservoir. These outside sales were responsible for additional use of 375,000 gallons in September. However, to date, the amount of water delivered from Ukiah exceeds the amount resold, so there is no reason to halt or reduce sales this fall.

Stage 2 Water Warning Conservation Restrictions

1. Wasteful use of water is prohibited. All water usage must be for beneficial uses.
2. During any water use, water shall stay confined to the customer's property and is not allowed to run off onto adjoining property, public sidewalks, streets or parking lots. Water use should not exceed the point of saturation.
3. Landscape irrigation is limited to two days per week and is only allowed on Tuesdays and Saturdays from 12am to 9am and 6pm to 11:59pm. Drip irrigation is allowed on any day of the week.
4. Washing of streets, parking lots, driveways, sidewalks, buildings and other hardscape surfaces is prohibited, except with an approved exemption form.
5. All pools, spas and ornamental fountains shall be equipped with a recirculating pump and shall be leak proof.
6. Restaurants shall serve water only upon specific request.
7. Hotels and lodging establishments shall not provide patrons with stays of three days or less daily laundering of towels, sheets and linens. Lodges must prominently display notice of this requirement in each room.
8. All Water leaks must be repaired as soon as feasible but no later than three days after notification.

RECOMMENDED ACTION:

Adopt a Resolution downgrading from the Stage 4 Water Crisis and Stage 4 Conservation measures to a Stage 2 – Water Warning which target a 10-20% decrease in seasonal water usage from the most recent non-drought year (2019).

ALTERNATIVE ACTION(S):

1. Do not adopt Resolution.
2. Provide alternative direction to staff.

FISCAL IMPACT:

Reduced water usage will impact Water Fund revenues during the time frame customers practice water conservation, however, the water fund's reserves and fund balance can absorb the loss.

GREENHOUSE GAS EMISSIONS IMPACT:

Reduced water usage will have an incremental reduction in pumping and water treatment, which will result in a small decrease in the use of electricity and resulting greenhouse gas emissions.

CONSISTENCY:

N/A

IMPLEMENTATION/TIMEFRAMES:

Compliance with a Stage 2 Water Conservation Measures would be immediate allowing an easing up from the Stage 4 Conservation measures.

ATTACHMENTS:

1. Resolution
2. Noyo River Flows Graphs

NOTIFICATION:

N/A

RESOLUTION NO. ____-2021

**RESOLUTION OF THE FORT BRAGG CITY COUNCIL
DOWNGRADING THE WATER CONSERVATION MEASURES FROM
STAGE 4 – WATER CRISIS TO STAGE 2 WATER WARNING**

WHEREAS, the City of Fort Bragg has experienced significantly less rainfall in the last twenty-four (24) months than would be considered normal; and

WHEREAS, the water flow in the Noyo River has declined to and below water levels in the summer of 1977, which is the worst drought on record for the City of Fort Bragg; and

WHEREAS, historically, in the months of August, September and October, the Noyo River experiences high tides, where the gravitational pull between the sun and the moon increase tide levels to a foot or two higher than normal tide levels. High tides during periods of low flow levels on the Noyo River increase salinity content and shorten pump run times, impairing the City's ability to replenish water supply from the Noyo River; and

WHEREAS, the weather forecasts continue to show no significant rainfall in the area in the coming weeks and months; and

WHEREAS, on March 5, 2021, the USDA declared that 50 counties in California, including Mendocino County, were designated as primary natural disaster areas due to recent drought; and

WHEREAS, on April 21, 2021, Governor Newsom declared a state of emergency in Mendocino County due to drought conditions; and

WHEREAS, the City has procured a Desalination-Reverse Osmosis Treatment System from Aquaclear that will allow it to continue to pump water from the Noyo River during high tides when salinity reaches levels which cannot be processed by the City's Water Treatment Plant; and

WHEREAS, the City has negotiated a Well-use Agreement with the Fort Bragg Unified School District, to allow the City to use well water to supplement its water supply, if necessary; and

WHEREAS, the City met the Stage 2 Water Conservation target by reducing water use with Conservation measures implemented on July 12, 2021 by reducing usage from July 2020 by fifteen (15%); and

WHEREAS, on August 9, 2021, after a properly noticed public hearing, the City Council declared a Stage 3 Water Emergency and implemented Stage 3 Water Conservation Restrictions for the Fort Bragg Water System; and

WHEREAS, water usage for the month of August 2021 was 33.2% lower than August 2019, exceeding the Stage 3 Water Conservation goal of a 20-30% reduction; and

WHEREAS, on September 13, 2021 the City Council declared a Stage 4 Water Crisis and implemented Stage 4 Water Conservation Restrictions for the Fort Bragg Water System water supply; and

WHEREAS, water usage for the month of September 2021 was 32% lower than September 2019, meeting the Stage 4 Water Conservation goal of a 30-40% reduction; and

WHEREAS, during the second half of September 2021 the region received several days of rain which resulted in increased flows in the Noyo River allowing the City to replenish water storage in the Summers Lane Water Reservoir; and

WHEREAS, the City received the Desalination-Reverse Osmosis Treatment System on September 24th and has completed the setup and testing of the unit to ensure that it is ready to treat brackish salt water during the next cycle of high tides; and

WHEREAS, the City Manager, after considering all the relevant factors impacting the City's potable water sources per Section § 14.06.020 (WATER CONSERVATION STAGES), recommends that the City Council downgrade to a Stage 2 Water Warning.

WHEREAS, based on all the evidence presented, the City Council finds as follows:

1. The foregoing recitals are true and correct and are made a part of this Resolution.
2. The City Manager's evaluation of the City of Fort Bragg's current water supply, future rainfall predictions, reduced temperatures inland of Fort Bragg in the water shed, projected water demand, projected water source levels, supply from Desalination-Reverse Osmosis Treatment System and Well Use Agreement with the Fort Bragg Unified School District resulted in a recommendation that the City downgrade from a Stage 4 Water Crisis and to a Stage 2 Water Warning.
3. The City Manager determined that a Stage 2 Water Warning and mandatory Stage 2 Water Conservation Restrictions are in the best interests of the City of Fort Bragg Water Customers.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg does hereby declare a Stage 2 Water Warning pursuant to Chapter 14.06 of the Fort Bragg Municipal Code and requires implementation of Stage 2 Water Conservation Measures, as set forth in Fort Bragg Municipal Code section 14.06.050 B.

The above and foregoing Resolution was introduced by Councilmember _____, seconded by Councilmember _____, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg held on the 12th day of October, 2021, by the following vote:

**AYES:
NOES:
ABSENT:
ABSTAIN:
RECUSED:**

BERNIE NORVELL
Mayor

ATTEST:

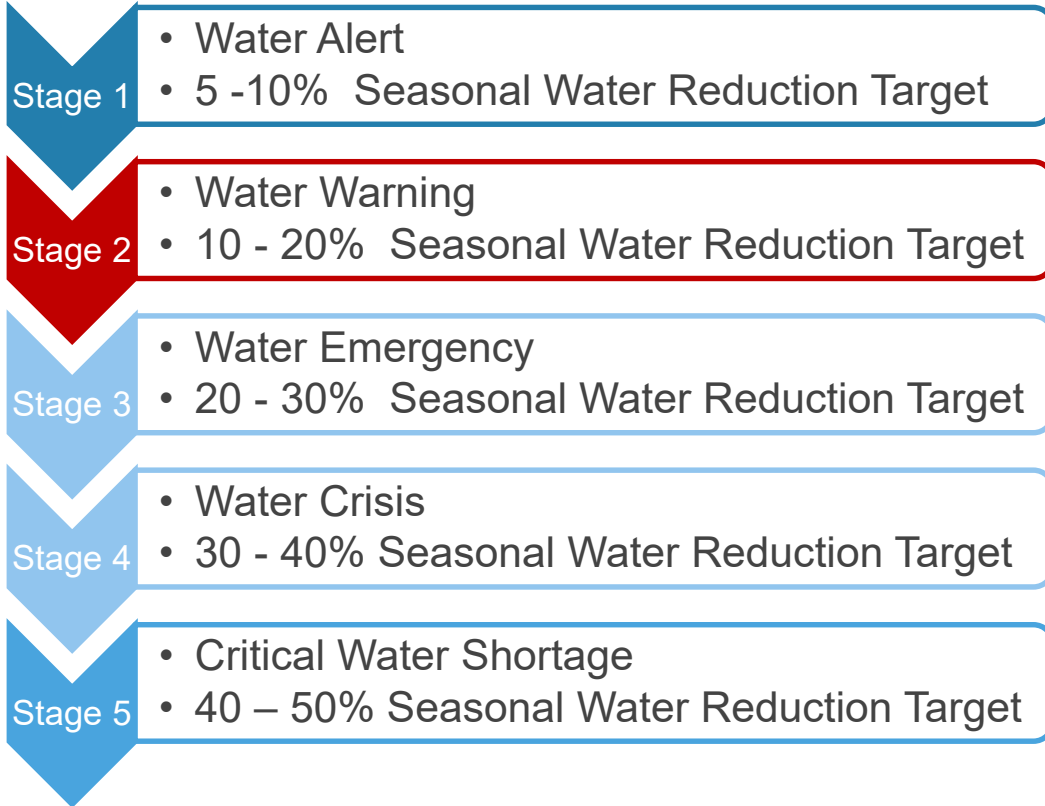
June Lemos, CMC City Clerk



DOWNGRADE TO STAGE 2 – WATER WARNING

City Council Meeting
October 12, 2021

Water Conservation Stages



Stage 2– Restrictions

1. Wasteful use of water is prohibited. All water usage must be for beneficial uses.
2. During any water use, water shall stay confined to the customer's property and is not allowed to run off onto adjoining property, public sidewalks, streets or parking lots. Water use should not exceed the point of saturation.
3. Landscape irrigation is limited to two days per week and is only allowed on Tuesdays and Saturdays from 12am to 9am and 6pm to 11:59pm. Drip irrigation is allowed on any day of the week.
4. Washing of streets, parking lots, driveways, sidewalks, buildings and other hardscape surfaces is prohibited, except with an approved exemption form.

Stage 2– Restrictions (continued)

5. All pools, spas and ornamental fountains shall be equipped with a recirculating pump and shall be leak proof.
6. Restaurants shall serve water only upon specific request.
7. Hotels and lodging establishments shall not provide patrons with stays of three days or less daily laundering of towels, sheets and linens. Lodges must prominently display notice of this requirement in each room.
8. All Water leaks must be repaired as soon as feasible but no later than three days after notification.

City Water Supply System

Three surface water Sources:

- × Waterfall Gulch (tributary to Hare Creek)
- × Newman Gulch (tributary to Noyo River)
- × Noyo River (diversion at Madsen Hole)
 - × *Provides approximately 60% of summer/fall supply*
 - × *Impacted by high tides creating high salinity*
 - × *12 days of tides > 6 ft. in October*

Storage 22.6 Million Gallons:

- × Summers Lane Reservoir 14.7 M gallons
- × Finished Water Tanks 4.5 M gallons
- × Raw Water Holding Ponds 3.4 M gallons

Current Usage & Supply for October

Three surface water Sources:

- × Waterfall Gulch 118k gallons to refill Summers Lane
- × Newman Gulch 180k gallons
- × Noyo River (diversion at Madsen Hole)
 - × *12 days of tides > 6 ft. in October*
 - × *Desalinization unit up to 144k gallons a day*
 - × *Regular Flow at 1.60 cfs on Octoberth11*

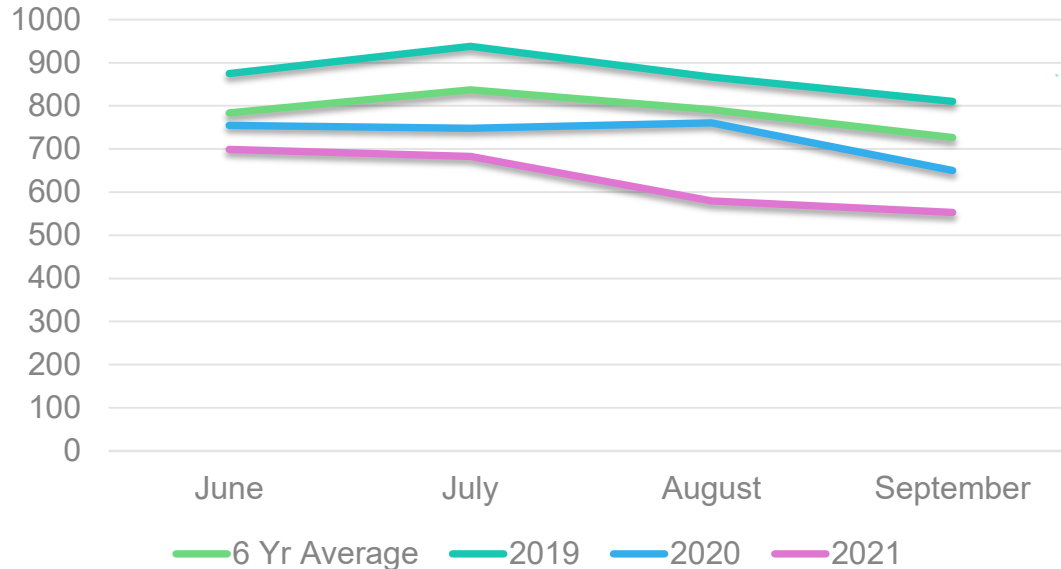
Current Usage: 510k gallons daily

Summers Lane Reservoir:

- × 14.7 M gallons on 10-11-21 (100%)

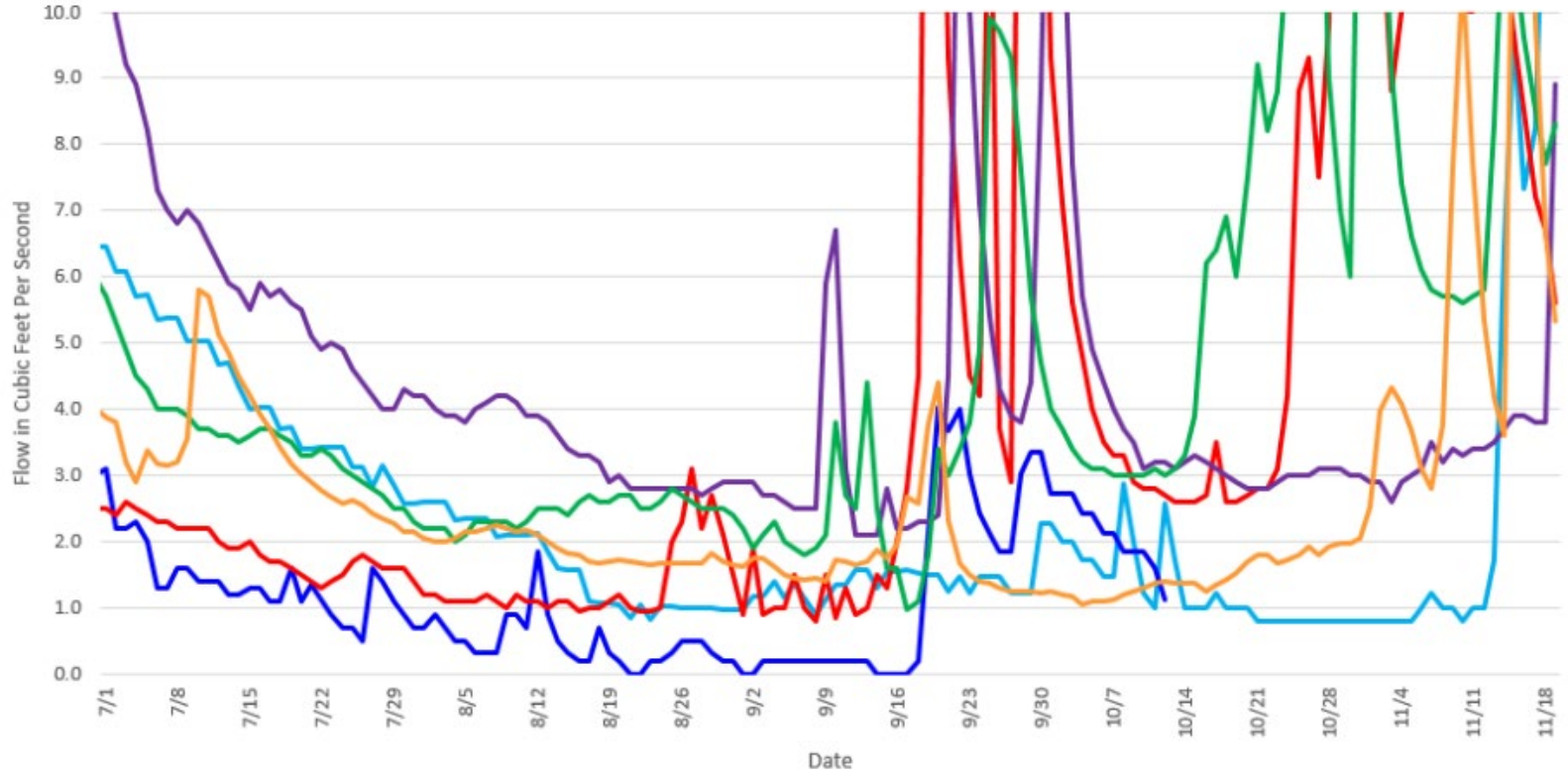
Summer Water Usage

2015-2021
Per day in 1,000 gallons

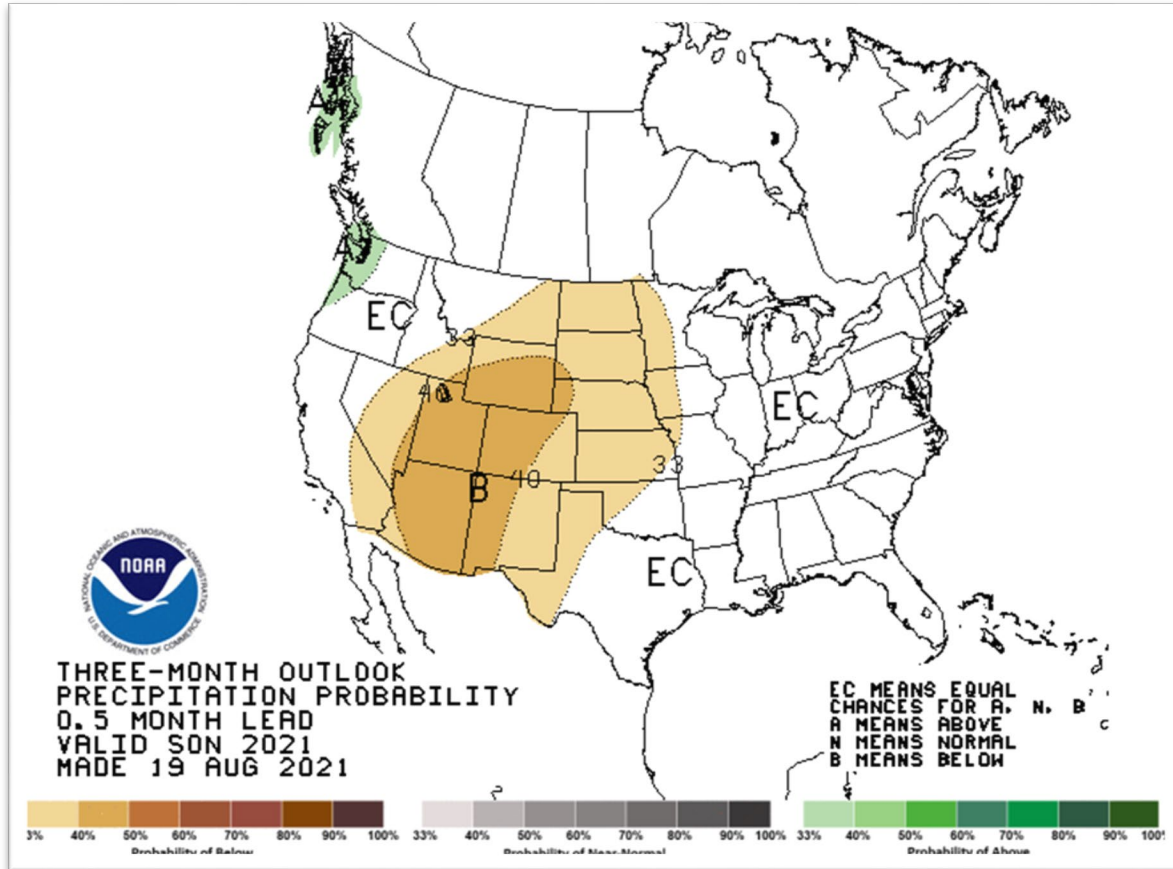


Noyo Flows

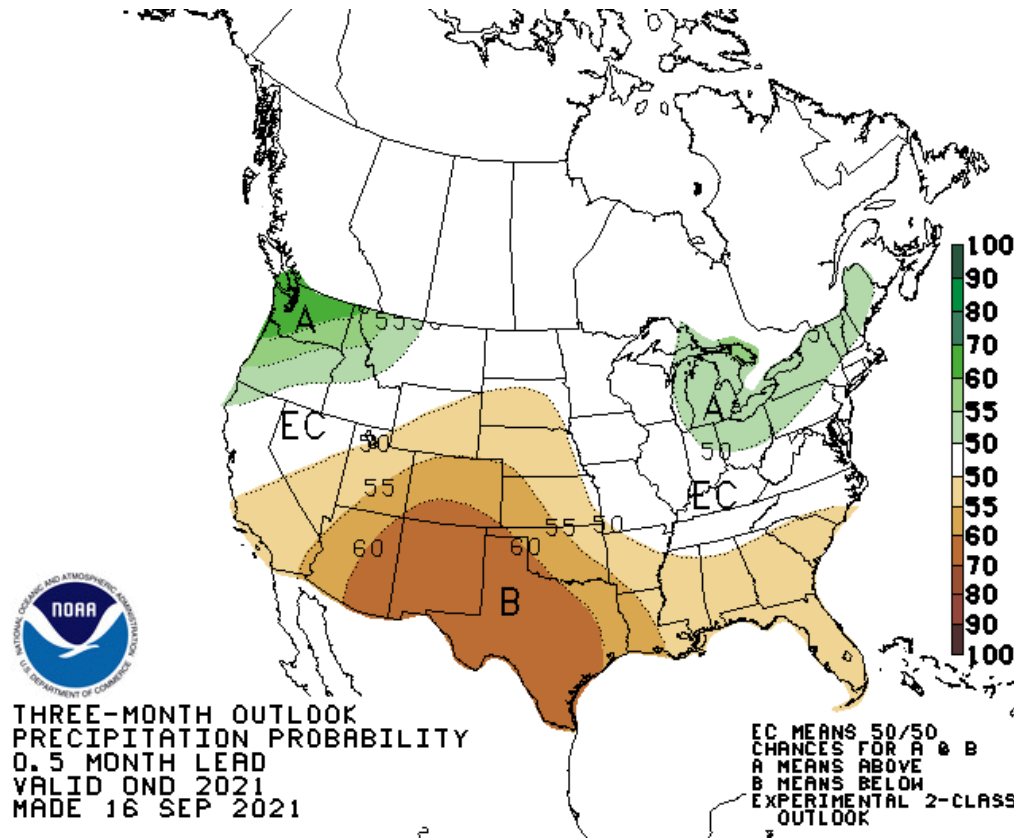
USGS 2020 USGS 2021 USGS 1977 USGS 2013 USGS 2014 USGS 2015



Prior Rain Outlook Sept, Oct & Nov 2021



Updated Rain Outlook Oct, Nov & Dec 2021



THREE-MONTH OUTLOOK
PRECIPITATION PROBABILITY
0.5 MONTH LEAD
VALID OND 2021
MADE 16 SEP 2021

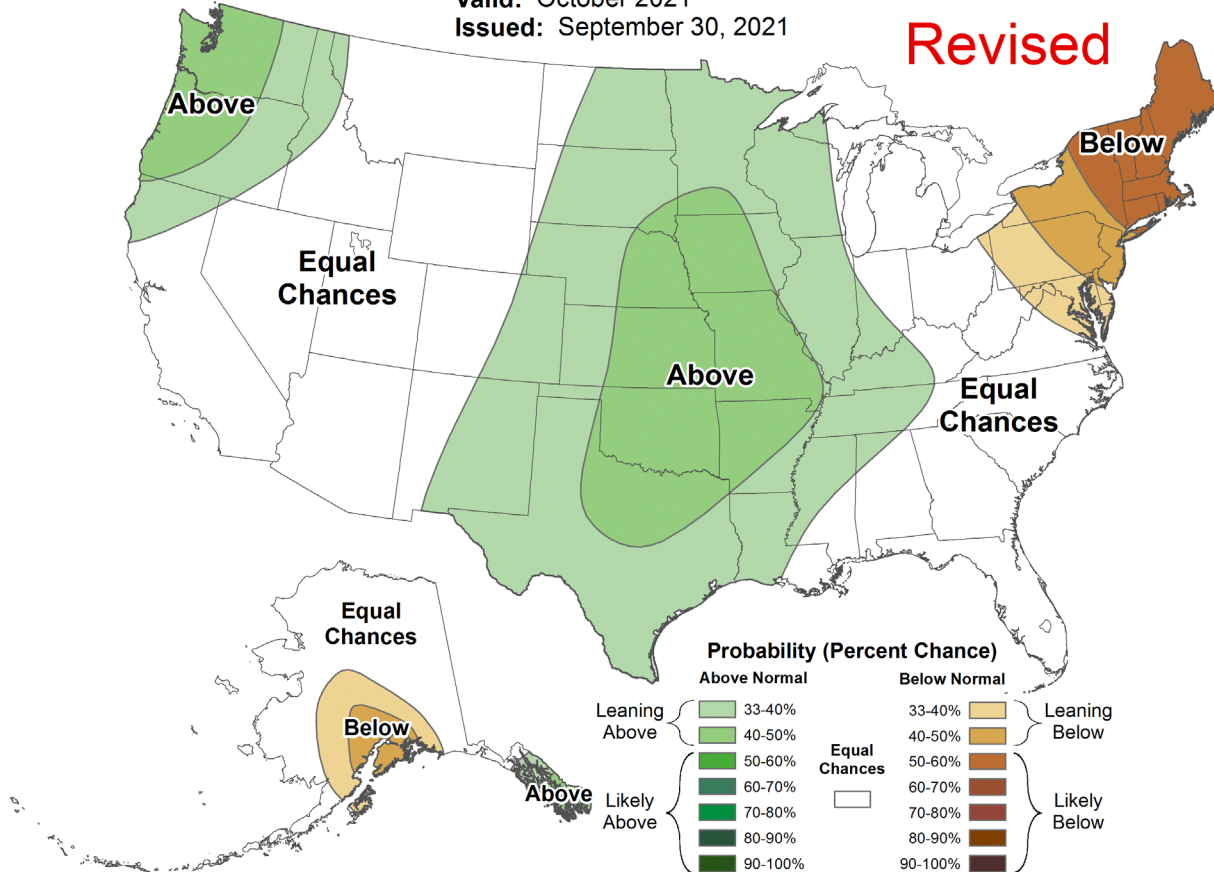


Monthly Precipitation Outlook



Valid: October 2021
Issued: September 30, 2021

Revised

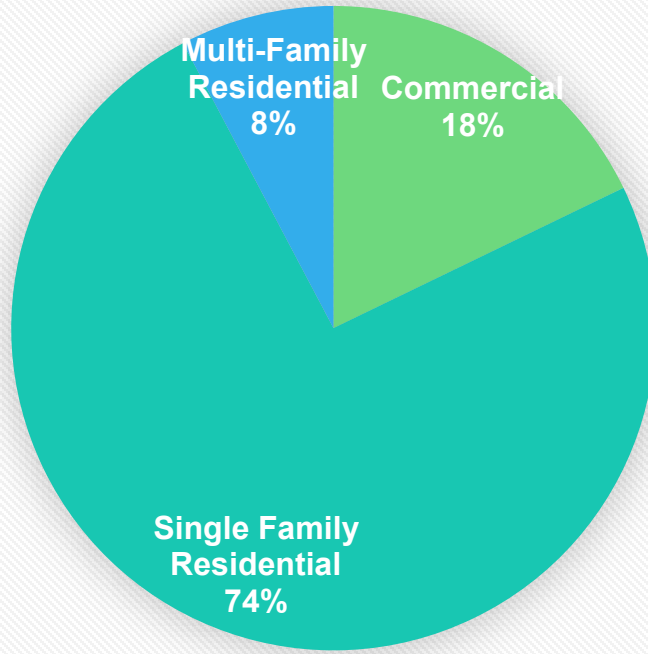


Supplemental Supply

1. Desalination-ReverseOsmosis Treatment System from Aquaclear arrived on 9-24-21 and is currently operational.
2. Water treatment system for Fort Bragg Unified School District ground water irrigation well in transit.
3. Water from City of Ukiah began on September 8 and was paused on October 6 because inventory exceeded 2.5X and reservoir was approaching capacity. Outside water sales continue but demand has slowed.

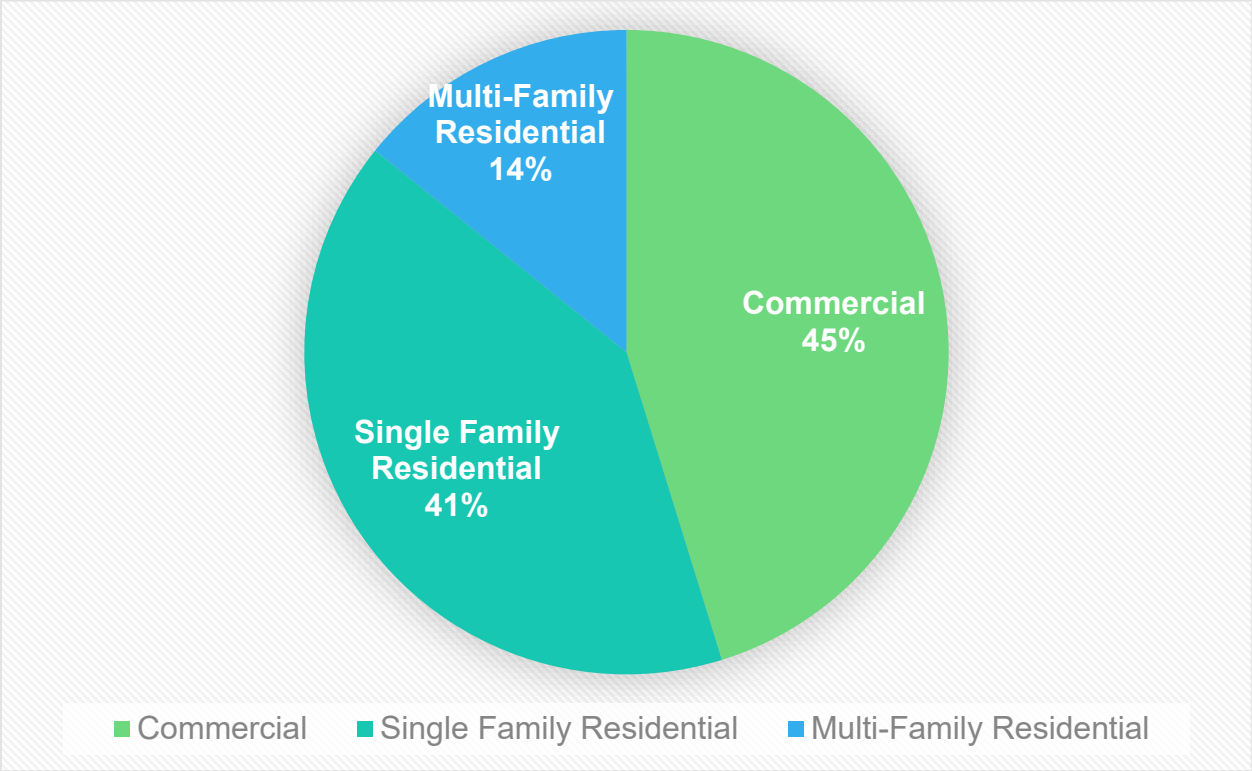
Questions?

Water Customers by Service



■ Commercial ■ Single Family Residential ■ Multi-Family Residential

Water Consumption by Service





City of Fort Bragg

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Text File

File Number: 21-533

Agenda Date: 10/12/2021

Version: 1

Status: Business

In Control: City Council

File Type: Staff Report

Agenda Number: 8B.

Receive Report and Consider Adoption of City Pension Funding Policy



AGENCY: City Council
MEETING DATE: October 12, 2021
DEPARTMENT: City Manager
PRESENTED BY: T. Miller
EMAIL ADDRESS: tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Pension Funding Policy

ISSUE:

For several years the City has been discussing and exploring ways to reduce the City's unfunded accrued liability (UAL) or pension liability. During the fiscal year FY 19-20 budget preparation, the City Council established a policy that fifty percent (50%) of any General Fund operating surplus realized at year-end would be used to pay down the City's UAL which then was \$9.2M and now is \$11.4M without accounting for the 21.3% FY 20-21 CalPERS return, or \$8.4M with 21.3% return and Discount Rate at 6.75%.

The attached Pension Funding Policy incorporates the 50% of surplus to be used for funding UAL policy and expands upon that to provide a more robust funding plan. The policy is consistent with the City's planned issuance of taxable lease revenue bonds to pay down the UAL and fund the acquisition costs of the southern portion of the Mill Site property. It also provides more assurance to purchasers of those bond issues that the City will continue to actively manage the City's pension UAL.

RECOMMENDED ACTION:

Adopt the attached Pension Funding Policy.

ALTERNATIVE ACTION(S):

1. Do not adopt Policy.
2. Provide alternative direction to staff.

FISCAL IMPACT:

There is no direct fiscal impact from adopting the Pension Funding Policy but when adopted and followed, it will improve the City's fiscal state by managing and most likely reducing the City's UAL.

GREENHOUSE GAS EMISSIONS IMPACT:

There is no direct impact on greenhouse gas emissions from adopting the Pension Funding Policy.

CONSISTENCY:

The Pension Funding Policy incorporates the City Council policy of paying 50% of any year's General Fund surplus towards the City's UAL and furthers the City Council budget priority No. 2: Provide for additional contributions to CalPERS to pay the unfunded liability off earlier than 30 years.

AGENDA ITEM NO. 8B

IMPLEMENTATION/TIMEFRAMES:

The Pension Funding Policy would be effective immediately and be incorporated into the City's ongoing efforts to reduce the UAL.

ATTACHMENTS:

1. Pension Funding Policy

NOTIFICATION:

N/A



City of Fort Bragg CA Pension Funding Policy

PURPOSE:

The purpose of this policy is to define how the City's pension funding obligations will be met. As part of its overall compensation plan, the City provides a defined benefit pension to its employees. This benefit is administered by the California Public Employees Retirement System (CalPERS) and funded through contributions from the City and its employees and from investment earnings on those contributions. The CalPERS Board of Administration, under the California Public Employees' Retirement Law (PERL), is responsible for the administration and investment of the funds it receives and determines the amounts contributed by each of the governmental entities that participate in CalPERS. The PERL sets employee contribution rates.

POLICY:

It is the policy of the City to fulfill its obligation to its residents and employees to maintain fiscally responsible management practices and to its employees to ensure that promised retirement benefits are funded. To that end, the City will meet its pension funding obligations as follows:

1. **Actuarially Determined Contributions:** Each fiscal year, the City will contribute to CalPERS the amount determined by CalPERS actuaries to be the minimum required employer contribution for that year. The minimum contribution consists of two components, normal cost and unfunded accrued liability (UAL). The normal cost is expressed as a rate that is applied to pensionable payroll costs and reflects the cost of pension benefits earned by employees in the current fiscal year. The UAL payment is a flat dollar amount that represents a portion of the cost of past benefits earned by employees, but for which, because of deviations in actual experience and changes in assumptions about investment performance, the normal cost rates established for those prior years has been determined to be insufficient to provide the promised retirement benefit. The CalPERS actuaries recalculate the total UAL each year and an updated multi-year amortization schedule is provided to show the projected annual minimum payments.
2. **Annual UAL Prepayment:** CalPERS offers the option to make monthly payments on the UAL or prepay the entire annual amount at a discounted level by the end of July. The City will prepay its annual obligation each year to achieve budgetary savings.
3. **Section 115 Pension Trust:** The City will establish and maintain a pension stabilization fund in the form of a Section 115 Pension Trust. The targeted funding level for this fund is the City Council policy that fifty percent (50%) of any surplus in the General Fund at

year-end will be used to reduce the current UAL. Assets in the Section 115 Pension Trust may be used only for pension related costs and at the direction of the City Council. Once the targeted funding level is reached, the earnings on the assets in the Trust may be applied to offset a portion of the City's annual pension contributions to CalPERS or make additional discretionary payments to CalPERS.

4. **Targeted Funding Level:** The City's goal is to achieve and maintain a funded status for each of its plans of between 90% and 100%. A funded status of 100% signifies that the City's pension assets with CalPERS match its accrued liabilities.
5. **Additional Discretionary Payments:** CalPERS allows member agencies to make additional discretionary payments at any time and in any amount, which would serve to reduce the UAL and future required contributions. The City will consider this option in the context of its annual evaluation of reserve levels and budgetary requirements.
6. **Transparency and Reporting:** Funding of the City's pension plans should be transparent to vested parties including plan participants, annuitants, the City Council and Fort Bragg residents. In order to achieve this transparency, the following information shall be available:
 - a. Copies of the annual actuarial valuations for the City's CalPERS plans.
 - b. The City's Comprehensive Annual Financial Report shall be published on the City's website. This report includes information on the City's annual contributions to the pension system and their funded status.
 - c. The City's annual operating budget shall include the City's contributions to CalPERS.
7. **Pension Obligation Bonds (POBs):** POBs or a similar debt issuance such as Lease Revenue Bonds (LRBs) used to make payments towards the City's UAL are tools that can be used to provide an additional discretionary payment to CalPERS upon the determination that the cost to borrow the funds for the payment is less than continuing to make the projected prescribed UAL payments at the current discount rate. If the City issues POBs or LRBs, the following guidelines will apply:
 - a. Expert advice and analysis by actuaries and municipal advisors will be utilized to stress test the risk of a market crash and threshold at which the City would be worse off issuing POBs or LRBs versus not.
 - b. The interest rate on the POBs or LRBs shall be at least 2.5% less than the current CalPERS discount rate.
 - c. The final maturity date on the POBs or LRBs will be no more than the current term of the UAL.
 - d. The POBs or LRBs structure will contain an early call provision.
8. **Review of Funding Policy:** Funding a defined pension plan requires a long-term horizon. As such, the City will review this policy at least every five years to determine if changes to this policy are needed to ensure adequate resources are being funding the UAL.