

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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APPENDIX B:	GENERAL INFORMATION ABOUT THE CITY OF FORT BRAGG AND THE COUNTY OF MENDOCINO
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[APPENDIX G:	SPECIMEN MUNICIPAL BOND INSURANCE POLICY]

[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
<u>Revenues</u>					
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
<u>Expenditures</u>					
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)
<u>Other financing sources(uses)</u>					
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

	2020-21	% of	
Property Owner	Primary Land Use	Assessed Valuation	Total ⁽¹⁾
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%
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(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.