



LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)
JOINT POWERS AUTHORITY BOARD

Monday November 9, 2015
Downtown Branch Meeting Room
224 Church Street, Santa Cruz, CA 95060

9:00 a.m. PUBLIC MEETING

The Board reserves the right to take action on any item included on this agenda.

1. ROLL CALL
2. APPROVE AGENDA OF November 9, 2015
3. ORAL COMMUNICATIONS
4. EXECUTIVE DIRECTOR REPORT
 - A. Schedule of key dates (version 8) (pg 2)
5. CONSENT AGENDA
 - A. Approve Minutes of October 15, 2015 meeting (pg 4)
 - B. Approve Minutes of October 22, 2015 meeting (pg 6)
6. STAFF REPORTS
 - A. Direction for LFFA JPA agreement amendment #01 to Section 2. Purpose with respect to setting the bond not to exceed amount and/or changes to bond distribution (pg 8)
7. WRITTEN COMMUNICATION
8. BOARD MEETING CALENDAR
The Board will consider its current meeting schedule and may revise it as necessary.
9. ADJOURN

The Libraries Facilities Financing Authority Joint Powers Authority Board will adjourn from the regular meeting of November 9, 2015 to its next regular meeting of December 10, 2015 scheduled at the Downtown Branch Meeting Room (224 Church Street, Santa Cruz, CA 95060).

The Santa Cruz County Libraries Facilities Financing Authority does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment, please call the Library Administration Office at 427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

**SANTA CRUZ COUNTY LIBRARY (SCPL); LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA); AND
ASSOCIATED MEMBER AGENCIES**

JPA AMENDMENTS, COMMUNITY FACILITIES DISTRICT FORMATION & ELECTION CYCLE

SCHEDULE OF KEY DATES (version 7-8 - draft)

Includes key possible dates for member agency actions

8/27/2015 (Thu)	LFFA	LFFA Meeting – Rate and Apportionment study session and direction
9/09/2015 (Wed)	LFFA	LFFA Meeting – Final direction on Rate and Apportionment; Final Direction on LFFA Project Jurisdictional Allocation
9/10/2015 (Thu)	LFFA	LFFA Meeting – Final direction on Rate and Apportionment (if necessary); Final Direction on LFFA Project Jurisdictional Allocation (if necessary)
9/14/2015 (Mon)	SCPL	Library JPA Meeting – Receive information as to recruitment process for Library Director and future Executive Director of LFFA
10/01/2015 (Thu)	LFFA	LFFA Meeting – recommend LFFA MOU amendment related to allocation for Public Library Improvements to allow Polling by Oct 9th
10/15/2015 (Thu)	LFFA	LFFA Meeting – Recommend LFFA MOU amendment related to allocation for Public Library Improvements to allow Polling by Oct 16th
10/15/2015 (Thu)	SCPL	Library JPA Meeting – Review LFFA MOU amendment related to allocation for Public Library Improvements; Receive information as to recruitment process for Library Director and future Executive Director of LFFA; Authorize budget amendments and agreements related to professional services to support LFFA
10/16 – 10/19/2015	SCPL	Conduct Polling after LFFA approval of Bond allocation
10/22/2015 (Thu)	LFFA & SCPL	Joint Board Meeting – Review poll results
11/02/2015 (Mon)	SCPL	Library JPA Meeting – Receive information as to recruitment process for Library Director and future Executive Director of LFFA; Authorize budget amendments and agreements related to professional services to support LFFA
11/04/2015 (Wed)	LFFA	Staff to finalize Rate and Method of Apportionment and tax modeling
11/09/2015 (Mon)	LFFA	LFFA Meeting – Recommend LFFA MOU amendment related to allocation for Public Library Improvements; Review draft Rate & Method of Apportionment and updated tax modeling financial estimates
11/18/2015 (Wed)	Scotts Valley	Scotts Valley City Council- approve SCPL JPA (governance) and LFFA JPA (allocation) amendment(s) related to Public Library Improvements (December 2nd as alternate)
11/24/2015 (Tue)	Santa Cruz	Santa Cruz City Council- approve SCPL JPA (governance) and LFFA JPA (bond size and allocation) amendment(s) related to Public Library Improvements (December 8 th as alternate)
11/24/2015 (Tue)	Capitola	Capitola City Council- approve SCPL JPA (governance) and LFFA JPA (bond size and allocation) amendment(s) related to Public Library Improvements
11/25/2015 (Mon)	LFFA	Staff to finalize Resolution of Intention to Establish CFD, including Boundary Map and Rate and Method of Apportionment and Resolution of Intention to Incur Indebtedness due to Secretary
<u>12/07/2015 (Mon)</u>	<u>SCPL</u>	<u>Library JPA Meeting – Receive information as to recruitment process for Library Director and future Executive Director of LFFA; Authorize budget amendment and/or agreement related to professional services to support LFFA</u>
<u>12/02/18/2 015 (Wed)</u>	<u>Scotts Valley</u>	<u>Scotts Valley City Council- approve SCPL JPA (governance) and LFFA JPA (allocation) amendment(s) related to Public Library Improvements</u>
12/08/2015 (Tue)	County	County of Santa Cruz Board of Supervisors- approve SCPL JPA (governance) and LFFA JPA (allocation) amendment(s) related to Public Library Improvements
12/10/2015 (Thur)	LFFA	LFFA Meeting – Consider Resolution of Intention, including Boundary Map and Rate and Method of Apportionment, consider Resolution to Incur Indebtedness

**SANTA CRUZ COUNTY LIBRARY (SCPL); LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA); AND
ASSOCIATED MEMBER AGENCIES**

JPA AMENDMENTS, COMMUNITY FACILITIES DISTRICT FORMATION & ELECTION CYCLE

SCHEDULE OF KEY DATES (version ~~7~~8 - draft)

12/24/2015 (Thur)	LFFA	Boundary Map must be recorded on or before this date
12/28/2015 (Mon)	LFFA	Final Notices of Public Hearing delivered to Secretary
1/18/2016 (Mon)	LFFA	Final Resolution of Formation, Resolution Calling the Election and Consolidation, Resolution Declaring the Necessity to Incur Indebtedness due to Secretary
1/25/2016 (Mon)	LFFA	Notices of Public Hearing published on or prior to this date
2/01/2016 (Mon)	LFFA	LFFA Meeting –Public Hearing, Consider Resolution of Formation, Resolution Declaring the Necessity to Incur Indebtedness and Resolution Calling the Election and Consolidation
3/11/2016 (Fri)	LFFA	Last Day to Submit Resolution Calling the Election and Consolidation (which reflects exact form of ballot wording) to the County for the June 7, 2016 Election
3/23/2016 (Wed)	LFFA	Last day to withdraw a measure from the ballot, Last day to submit primary ballot arguments
3/28/2016 (Mon)	LFFA	Last day to submit rebuttal arguments
6/07/2016 (Tue)	LFFA	Election Day
7/05/2016 (Tue)	LFFA	Certified statement of results available
7/18/2016 (Mon)	LFFA	Final Resolution Declaring Election Results due to Secretary
8/01/2016 (Mon)	LFFA	LFFA Meeting –Consider Resolution Declaring Election Results and First Reading of CFD Ordinance
8/10/2016 (Wed)	LFFA	Notice of Special Tax Lien recorded and direction provided to County Tax Collector <u>Auditor-Controller</u> (*actual final date to be confirmed by County)
9/05/2016 (Mon)	LFFA	LFFA Meeting –Adopt CFD Ordinance, adopt Resolution Authorizing Bond Issuance

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

FACILITIES FINANCING AUTHORITY
LIBRARY JOINT POWERS AUTHORITY BOARD

MINUTES

Downtown Branch Meeting Room
224 Church Street, Santa Cruz, CA 95060

October 15, 2015

9:00 AM PUBLIC MEETING - (VIDEO RECORDING AVAILABLE)

1. ROLL CALL

Director Steve Ando; Director Martin Bernal; Director Jamie Goldstein; Director Susan Mauriello

Staff: Interim Executive Director Marcus Pimentel

2. APPROVAL OF MEETING AGENDA OF OCTOBER 15, 2015

Agenda of October 15, 2015 was approved by consensus.

3. ORAL COMMUNICATIONS

None

4. EXECUTIVE DIRECTOR REPORT

Schedule of key dates

5. CONSENT AGENDA

- A. Approve Minutes of Sept. 9, 2015
- B. Approve Minutes of Sept. 10, 2015

6. STAFF REPORTS

- A. Direction for LFFA JPA agreement amendment #01 to Section 2 for bond proceeds distribution to member agencies

B. Update on and consider support of SCPL Board polling subcommittee.

NO ACTION WAS TAKEN

7. WRITTEN COMMUNICATION

None

8. BOARD MEETING CALENDAR

9. NEXT MEETING

The Library Facilities Financing Authority Joint Powers Authority Board (LFFA JPB) adjourned the regular meeting of Thursday, October 15, 2015 to a Joint Study Session on Thursday, October 22, 2015 at 1:00pm at the Aptos Branch Meeting Room.

8. ADJOURN

The regular meeting adjourned at 10:25 am.

Respectfully submitted,

Helga Smith, Secretary of the Board

All documents referred to in these minutes are available in the Library Office.

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD (LJPB)
LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)

MINUTES

Aptos Branch Meeting Room
7695 Soquel Drive, Aptos, CA 95003

Joint Study Session

October 22, 2015

1:00 PM PUBLIC MEETING (VIDEO RECORDING AVAILABLE)

1. ROLL CALL

Present: Supervisor Zach Friend, Supervisor Bruce McPherson, Councilmember Cynthia Mathews, Councilmember Jim Reed (remote connected), Councilmember Michael Termini, Citizen Member Sean Campbell, Citizen Member Martha Dexter, Director Steve Ando, Director Martin Bernal, Director Jamie Goldstein, Director Carlos Palacio (Alternate for Director Susan Mauriello)

Absent: Councilmember David Terrazas, Citizen Member Jim Mosher

Staff: Janis O'Driscoll, Interim Library Director

2. APPROVAL OF MEETING AGENDA OF OCTOBER 22, 2015

Councilmember Mathews moved, seconded by Citizen Member Campbell

That the Board approve the Agenda of October 22, 2015.

UNAN

Absent: Terrazas, Mosher

3. ORAL COMMUNICATIONS

None

4. RECEIVE POLLING RESULTS FROM GENE BREGMAN

Gene Bregman presented the results of the most recent poll. The Board members discussed the results and the majority of the Board members decided to go forward with a strong campaign. Further discussion and any future actions shall be taken to the respective Boards.

NO ACTION WAS TAKEN

5. BOARD MEETING CALENDAR

6. NEXT MEETING

The Library Joint Powers Authority Board (LJPB) will adjourn from the Study Session of October 22, 2015 to the Regular Meeting of November 2, 2015 at 6:30pm at the Downtown Branch Library Meeting Room. The Libraries Facilities Financing Authority (LFFA) will adjourn from the Study Session of October 22, 2015 to the Regular Meeting of November 9, 2015 at 9:00 am at the Downtown Branch Library Meeting Room.

7. ADJOURN

The regular meeting adjourned at 2:21 p.m.

Respectfully submitted,

Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Library Office.

STAFF REPORT

AGENDA: November 9, 2015

DATE: November 6, 2015

TO: Library Facilities Financing Authority (LFFA) Board of Directors

FROM: Marcus Pimentel, Interim Executive Director

SUBJECT: Item 6.a.- Direction for LFFA JPA agreement amendment #01 to Section 2. "Purpose" with respect to setting the bond not to exceed amount and/or changes to bond distribution

RECOMMENDATION

That the Board provides direction to staff for the rate and apportionment factors to use within the Communities Facility District (CFD) special tax modeling to be brought back for final determination on December 10, 2015 in order to set the not to exceed amounts for bonding and ultimately set the distribution formula for net proceeds.

BACKGROUND

The Santa Cruz Public Library JPA (SCPL) formed the LFFA for the creation of a CFD to levy a special tax to fund the Library system public library improvements as identified in the Facilities Master Plan. The CFD's boundary would match the boundary of the SCPL, which includes the entire county except for the City of Watsonville.

To stay within the timeline required to conduct polling, form a CFD and put forth a June 7, 2016 ballot measure, the LFFA must expedite the creation of the rate and apportionment factors to levy a tax on parcels within its boundary. NBS was contracted in 2013 by the SCPL to support the County and City administrators subcommittee in the CFD rate and apportionment evaluation, using County Assessor use-codes.

The LFFA held a study session on August 27, 2015 followed by additional discussion and direction on September 9, 2015 and September 10, 2015 to evaluate changes to the base, preliminary rate model. On October 15, 2015, the LFFA reviewed potential bond distribution models and discussed a minimum preference of a net \$62 million to be available for library facility improvements. Furthermore, the LFFA and Library Joint Powers Board held a joint study session on October 22, 2015 to review poll results and discuss potential base tax rates. NBS has used the prior direction provided to develop the current Rate and Method of Apportionment (RMA) report to bring back to the LFFA for final review and consideration on December 10, 2015 and to estimate the annual, gross tax proceeds that the RMA could generate. The RMA has been reviewed by the LFFA's Bond Counsel (Jones Hall) and the LFFA's financial advisor (Harrell and Associates).

This revised RMA is projected to generate, using a \$59 base EDU (equivalent dwelling unit) factor, gross annual proceeds of \$4.9 million; which in turn could generate a minimum of \$73 million of net proceeds available in the first five years for Library projects.

DISCUSSION

Based on prior LFFA Board meeting comments, the current rate structure is as follows:

- 1) Single Family residential. This category was essentially unchanged and remains with an EDU factor of 1.0.
- 2) Multi-family parcels. This category was modified to create an EDU factor based on specific unit counts per parcel and to include all mobile homes.
 - a. A single mobile home would have a 0.7 EDU factor.
 - b. Any parcel with 2 units and up to 40 units would be at a 0.7 EDU factor per unit.
 - c. Any parcel with 41 or more units would be at a lower 0.5 EDU factor for each additional unit.

However, by the December 10, 2015 LFFA Board meeting, staff may recommend that this section be modified to temporary allow using available assessor use-code categories in which the rate would be based upon the lowest unit count within those categories. The current use code categories are: [5-10]; [11-20]; [21-40]; [41-60]; [61-100]; and [101 or more] units. Under this alternate, interim method, a parcel with 7 units would be assessed the tax based on 5 units. This rate structure would be replaced by parcel unit counts when that data became. Ultimately, as discussed previously, the LFFA has effectively until July 2016 to finalize this data to provide the tax levy to the County Auditor-Controller no later than August 10, 2016.

- 3) Commercial/Recreational. This is a broad category that would include but not be limited to property uses such as commercial, industrial, recreation and retail. This category's tax basis was changed from acreage to square footage of buildings, using available assessor square footage data. If data is not available, other credible data will be used (such as agency building data, estimates using available records, spatial data and/or Geographic Information Systems (GIS) data).
 - a. [Small] The natural breakpoint was less than 2,500 square feet and includes any commercial property with a residence, regardless of size, at a 1.0 EDU factor.
 - b. [Medium] This natural band was buildings greater than 2,500 square feet up to 5,000 square feet and they would be at the 2.0 EDU factor.
 - c. [Large] This natural band was buildings greater than 5,000 square feet up to 15,000 square feet and they would be at the 5.0 EDU factor.
 - d. [Extra Large] There was also a natural break for parcels with building square footage in excess of 15,000 square feet and they would be at the 10.0 EDU factor.
- 4) Agriculture. The modest changes here focused on reducing agricultural tax liability.
 - a. [Small] Consolidated farms up to 5-acres with farms that contain the owner's residence, regardless of size, at the 1.0 EDU factor.
 - b. [Medium] Farms greater than 5-acres up to 80 acres are at a 2.0 EDU factor (previously 5.0 and only up to 40 acres)
 - c. [Large] Farms in excess of 80-acres are at a 5.0 rate factor (previously 10.0 and those greater than 40-acres)

The definitions within this revised RMA for undeveloped land and public property were expanded to include various property types that would be exempt from the tax. These would now include any vacant land, churches, public schools, government, private roads, burial grounds, parcels with utilities, timberland, and California Land Conservation Act parcels.

In addition, there may be instances where a parcel may contain more than one property type or use that could be taxed in different categories. In these instances, the tax rate used would be the sum of all the special tax levies that could be applied between the applicable categories in order to ultimately satisfy the bond market. For example, if a single family residence was on a 70-acre agricultural parcel, the tax rate would be the single family rate (1.0) plus the 5-acre to 80-acre rate (2.0) for a total rate of 3.0. Also, if a taxable property is converted in the future to a public use, it will remain for the purposes of this CFD as a taxable property. These measures would alleviate concerns of the bond market and thereby keep proposed interest rates from rising.

The RMA will also allow any property owner to make a partial or full prepayment of their calculated debt obligation and provides for an annual appeals process. The table below summarizes this revised model for discussion and final direction.

Property Type	Property Size	Equivalent Dwelling Unit (EDU)	Tax basis	Maximum Special Tax per unit (1)	Sample annual tax (2)
Single Family Residential	All	1.0	Unit	tbd	tbd
Multi Family Residential	All	0.7	Unit, up to 40 Units	tbd	tbd
	All	0.5	Unit, greater than 40 Units	tbd	tbd
Agricultural	Small – less than or equal to 5 Acres or with Homeowner’s Exemption	1.0	Parcel	tbd	tbd
	Medium – greater than 5 Acres up to or equal to 80 Acres	2.0	Parcel	tbd	tbd
	Large – greater than 80 Acres	5.0	Parcel	tbd	tbd
Commercial / Recreational	Small – Building Square Footage up to 2,500, or with Homeowner’s Exemption	1.0	Parcel	tbd	tbd
	Medium – over 2,500 Building Square Footage up to 5,000 Building Square Footage	2.0	Parcel	tbd	tbd
	Large – over 5,000 Building Square Footage up to 15,000 Building Square Footage	5.0	Parcel	tbd	tbd
	Extra Large – over 15,000 Building Square Footage	10.0	Parcel	tbd	tbd
<p>(1) The Maximum Special Tax rate per unit will be calculated by the December 10, 2015 LFFA Board meeting. (2) The sample annual tax rate is a simple formula of the EDU multiplied by the maximum tax rate and will be available by the December 10, 2015 LFFA Board meeting.</p>					

Once final direction is provided, this proposed rate and apportionment structure will be developed into the final RMA.

Current estimates of this revised RMA indicate that a \$59 EDU could produce enough annual tax proceeds to support a 30-year tax that would provide \$73 million in net proceeds available in the first 5 years. For comparison, a \$49 EDU could generate \$59.4 million in net proceeds available in the first 5 years. Included in the calculation would be the amount estimated to be withheld for annual debt coverage requirements by bond holders (10%), bond administration fees (4% for reporting, taxing, collection and appeals support by a third party), and bond issuance costs. The bonds were timed to be split in two issues, with the first in 2017 and then the remained in 2021.

The bulk of the tax proceeds (85.4%) are appropriately from the residential category as they would likely gain the most from an improved Library system. Within residential, Single Family would generate 64.6% and Multi Family would generate 20.8% of the total tax proceeds. The total commercial sector would generate 10.4% and agriculture 4.2%.

As the data for the RMA becomes refined in 2016 and as more timely data is available for potential bond market pricing, the net proceeds amount will be updated and has the potential to increase.

Prepared and approved by:
Marcus Pimentel
Interim Executive Director

ATTACHMENTS:
CFD Rate and Method of Apportionment (11/06/15)

EXHIBIT B

Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1

RATE AND METHOD OF APPORTIONMENT FOR
SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 2016-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property within the Santa Cruz Libraries Facilities Financing Authority's Community Facilities District No. 2016-1 ("CFD No. 2016-1") and collected each Fiscal Year commencing in Fiscal Year 2016/17, in an amount determined by the Board of Directors of the Santa Cruz Libraries Facilities Financing Authority or its designee, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2016-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. **DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown in the Assessor's Data or on an Assessor's Parcel Map. If the land area is not shown in the Assessor's Data or on an Assessor's Parcel Map, the land area as shown in or calculated using available spatial data and Geographic Information Systems, or GIS.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2016-1; including, without limitation: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Authority or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the Authority, CFD No. 2016-1 or any designee thereof of complying with disclosure requirements under applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the Authority, CFD No. 2016-1 or any designee thereof related to any appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the Authority's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the Authority or CFD No. 2016-1 for any other administrative purposes of CFD No. 2016-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Agricultural Property" means all Assessor's Parcels of Developed Property used for farming or agriculture. Typical County Use Codes include: 410, 411, 412, 420, 421, 422, 430, 431, 432, 450, 451, 452, 470, 480, and 490.

"Assessor's Data" means Acreage, Use Code, Building Square Footage, or other information regarding Assessor's Parcels contained in the records of the County Assessor.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Authority" means the Santa Cruz Libraries Facilities Financing Authority.

"Board" means the Board of Directors of the Authority, acting as the legislative body of CFD No. 2016-1.

"Building Square Footage" means the area included within the surrounding exterior walls of a building or portion thereof. The floor area of a building, or portion thereof, not provided with surrounding exterior walls is the usable area under the horizontal projection of the roof or floor above and includes each floor of multi-story buildings. Building Square Footage shall be determined by reference to Assessor's Data. If the Building Square Footage is not shown in the Assessor's Data, City or County building permit data may be used, or Building Square Footage may be estimated using available records, spatial data and GIS.

"CFD Administrator" means an official of the Authority, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes.

"CFD No. 2016-1" means Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1.

"CFD No. 2016-1 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Authority for CFD No. 2016-1 under the Act.

"Commercial Property" means all Assessor's Parcels of Developed Property used for hotels, stores, shopping centers, offices, restaurants, banks, nurseries, manufacturing, warehousing, food/mineral processing and industry. Typical County Use Codes include: 070, 071, 072, 074, 080, 083, 085, 116, 120, 121, 122, 123, 131, 140, 150, 151, 152, 153, 160, 161, 170, 171, 172, 173, 180, 181, 182, 183, 184, 185, 190, 191, 192, 200, 201, 202, 210, 211, 220, 221, 222, 223, 230, 231, 232, 250, 251, 260, 261, 262, 310, 320, 321, 322, 323, 330, 331, 340, 341, 342, 343, 344, 345, 350, 351, 352, 353, 354, 360, and 361.

"County" means the County of Santa Cruz.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use which are not vacant. Agricultural property used for farming is considered Developed Property even if there is no structure on the property.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Homeowner's Exemption" means the \$7,000 assessed value exemption granted for Assessor's Parcels owned and occupied by an owner as their principal residence.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2016-1 Bonds are issued, as modified, amended and/or supplemented from time to time.

"Maximum Special Tax" means the Maximum Special Tax determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Multi Family Residential Property" means all Assessor's Parcels of Developed Property with one or more residential structures intended for more than one dwelling unit. Multi Family Residential also includes mobile homes, condos and townhomes. Typical County Use Codes include: 021, 025, 027, 030, 032, 033, 034, 041, 042, 043, 044, 045, 046, 100, 101, 103, and 104.

"Outstanding Bonds" means all CFD No. 2016-1 Bonds which are outstanding under an Indenture.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property respectively. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section C below.

"Public Property" means property within the boundaries of CFD No. 2016-1 owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public right-of-way has been granted to the federal government, the State, the County, the Authority, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified as Taxable Property, taxed, and classified according to its use.

"Recreational Property" means all Assessor's Parcels of Developed Property used for amusements, sports activities, clubs, camps and conference facilities. Typical County Use Codes include: 600, 601, 602, 603, 610, 611, 612, 613, 614, 615, 620, 621, 622, 631, and 633.

"Single Family Residential Property" means all Assessor's Parcels of Developed Property with a residential structure intended for a single dwelling unit. Typical County Use Codes include: 016, 020, 023, 024, 026, 028, 029, 031, 060, 061, 062, 063, 064, 065, 067, and 068.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 2016-1 to fund the Special Tax Requirement.

"Special Tax Requirement " means that amount required in any Fiscal Year for CFD No. 2016-1 to: (i) pay debt service on all Outstanding Bonds which is due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2016-1 Bonds, including but not limited to, rebate payments on the CFD No. 2016-1 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 2016-1 facilities eligible to be funded by CFD No. 2016-1 under the Act; (vi) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; (vii) pay for the accumulation of funds reasonably required for future debt service; (viii) pay lease payments for existing or future facilities; (ix) pay costs associated with the release of funds from an escrow account; less (x) a credit for funds available, if any, to reduce the annual Special Tax levy, as determined by the CFD Administrator.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2016-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Taxable Public Property. Typical County Use Codes include: 010, 011, 015, 040, 050, 051, 052, 053, 054, 055, 056, 057, 058, 059, 05A, 05B, 05C, 05D, 05E, 05F, 05G, 05H, 090, 091, 092, 093, 110, 115, 116, 300, and 301.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 2016-1 shall be classified as Developed Property, Taxable Public Property, or Undeveloped Property, and all Assessor's Parcels of Developed Property shall be assigned to a Property Type in accordance with Table 1 below and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX

a. Developed Property (including Taxable Public Property)

(1). Maximum Special Tax

The Maximum Special Tax that may be levied in Fiscal Year 2016/17 for each Assessor's Parcel is shown in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property
in CFD No. 2016-1 for
Fiscal Year 2016/17**

Property Type	Property Size	EDUs	Per	Maximum Special Tax
Single Family Residential	All	1.0	Unit	
Multi Family Residential	All	0.7	Unit, up to 40 Units	
Multi Family Residential		0.5	Unit, greater than 40 Units	
Agricultural	Small – less than or equal to 5 Acres or with Homeowner's Exemption	1.0	Parcel	
	Medium – greater than 5 Acres up to or equal to 80 Acres	2.0	Parcel	
	Large – greater than 80 Acres	5.0	Parcel	
Commercial/ Recreational	Small – Building Square Footage up to 2,500, or with Homeowner's Exemption	1.0	Parcel	
	Medium – over 2,500 Building Square Footage up to 5,000 Building Square Footage	2.0	Parcel	
	Large – over 5,000 Building Square Footage up to 15,000 Building Square Footage	5.0	Parcel	
	Extra Large – over 15,000 Building Square Footage	10.0	Parcel	

(2). Multiple Property Types

In some instances, an Assessor's Parcel of Developed Property may contain more than one property type/use. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all property uses located on that Assessor's Parcel.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2016/17 and for each following Fiscal Year, the Board or its designee shall determine the Special Tax Requirement and shall levy the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

Step 1: The Special Tax shall be levied on each Assessor's Parcel of Developed Property, Proportionately, up to 100% of the Maximum Special Tax to satisfy the Special Tax Requirement.

Notwithstanding the above the Board may, in any Fiscal year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the Board is no longer required to levy the Special Tax at 100% in order to meet the Special Tax Requirement, and (ii) all authorized CFD No. 2016-1 Bonds have already been issued or the Board has covenanted that it will not issue any additional CFD No. 2016-1 Bonds (except refunding Bonds) to be supported by the Special Tax .

Further, notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2016-1.

E. EXEMPTIONS

No Special Tax shall be levied on Public Property and Undeveloped Property. However, should an Assessor's Parcel no longer be classified as Public Property or Undeveloped Property its tax-exempt status will be revoked. In the case of Public Property and pursuant to Section 53317.3 of the Act, if property not otherwise exempt from the Special Tax levied pursuant to this chapter is acquired by a public entity through a negotiated transaction, or by gift or devise, the special tax shall, notwithstanding Section 53340, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property. However, the public agency that acquires the property may prepay and satisfy the obligation to pay the tax pursuant to Section H below.

Taxable Public Property shall be subject to the levy of the Special Tax, assigned to a Property Type in accordance with the use of the property, and shall be taxed Proportionately as part of the first step in Section D above, at up to 100% of the applicable Maximum Special Tax.

F. APPEALS AND INTERPRETATIONS

Any property owner may file a written appeal of the Special Tax with the CFD Administrator claiming that the amount or application of the Special Tax is not correct. The appeal must be filed not later than the June 30th of the Fiscal Year in which the Special Tax is due and the appellant must be current in all payments of Special Taxes. In addition, during the term of the appeal process, all Special Taxes levied must be paid on or before the payment date established when the levy was made.

The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination.

If the property owner disagrees with the CFD Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be final and binding on all interested parties. If the decision of the CFD Administrator or subsequent decision by the Board requires the Special Tax to be modified or changed in favor of the property owner,

no cash refund shall be made for prior years' Special Taxes, but an adjustment shall be made to credit future Special Tax levy (ies).

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2016-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

"CFD Public Facilities" means either \$_____ in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2016-1 under the authorized bonding program for CFD No. 2016-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more CFD No. 2016-1 Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible to be funded by CFD No. 2016-1 under the Act.

"Construction Inflation Index" means the annual percentage change in the April to April Engineering News-Record Building Cost Index for San Francisco, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the April to April Engineering News-Record Building Cost Index for San Francisco.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 2016-1 Bonds that have been issued by CFD No. 2016-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property or Undeveloped Property for which a Final Subdivision has been recorded prior to January 1 of the prior Fiscal Year, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time

of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a fee for providing this service. Prepayment in any six month period must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2016-1 Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount (defined below) shall be calculated by the CFD Administrator as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax applicable for the Assessor's Parcel to be prepaid.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 2016-1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid, and
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Add the amounts computed pursuant to paragraphs 8 and 9 to determine the "Defeasance Amount".

11. Verify the administrative fees and expenses of CFD No. 2016-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No.2016-1 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.
13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10 and 11, less the amount computed pursuant to paragraph 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 10 and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2016-1.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 2016-1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2016-1 Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 2016-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding CFD No. 2016-1 Bonds.

2. Prepayment in Part

The Special Tax may be partially prepaid, provided that a partial prepayment may be made after at least one series of CFD No. 2016-1 Bonds has been issued and only for Assessor's Parcels of Developed Property, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of partial prepayment. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated by the CFD Administrator according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment
 P_E = the Special Tax Prepayment Amount calculated according to Section H.1
 F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The Special Tax partial prepayment amount must be sufficient to redeem at least a \$5,000 increment of Bonds.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the prepayment funds remitted according to Section H.1, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed 30 years commencing with Fiscal Year 2016/17.