

RESOLUTION NO. 2015 - 02

**A RESOLUTION OF INTENTION TO ESTABLISH
A COMMUNITY FACILITIES DISTRICT**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
Community Facilities District No. 2016-1**

WHEREAS, under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code (the "Act"), this Board (the "Board") of the Santa Cruz Libraries Facilities Financing Authority (the "Authority") is authorized to establish a community facilities district and to act as the legislative body for a community facilities district; and

WHEREAS, this Board now desires to proceed with the establishment of a community facilities district in order to finance costs of public library facilities of benefit to the residents within the proposed boundaries of the community facilities district;

NOW, THEREFORE, IT IS ORDERED, by the Board of the Santa Cruz Libraries Facilities Financing Authority, as follows:

1. **Authority.** This Board proposes to conduct proceedings to establish a community facilities district pursuant to the Act.

2. **Name of CFD.** The name proposed for the community facilities district is "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1" (the "CFD").

3. **Boundaries Described.** The proposed boundaries of the CFD are as shown on the map on file with the Secretary of the Authority, and are hereby preliminarily approved, and reference is hereby made to that map for further particulars. The Secretary of the Authority is hereby directed to record, or cause to be recorded, the map of the boundaries of the CFD in the office of the Santa Cruz County Recorder within 15 days after the date of adoption of this Resolution, but in any event at least 15 days prior to the public hearing specified below.

4. **Facilities.** The type of public facilities proposed to be financed by the CFD pursuant to the Act shall consist of those listed as facilities on Exhibit A hereto and hereby incorporated herein (the "Facilities").

This Board hereby finds and determines that the public interest will not be served by allowing the property owners in the CFD to enter into a contract in accordance with Section 53329.5(a) of the Act. Notwithstanding the foregoing, this Board, on behalf of CFD, may enter into one or more contracts directly with any of the property owners with respect to the construction and/or acquisition of the any portion of the Facilities.

5. **Special Tax.** Except to the extent that funds are otherwise available to the CFD to pay for the Facilities, and/or the principal and interest as it becomes due on bonds issued by the Authority for the CFD to construct or acquire the Facilities, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-

exempt real property in the CFD, will be levied annually within the CFD, and collected in the same manner as ordinary ad valorem property taxes, or in such other manner as the Authority or its designee may determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the Special Tax (the "Rate and Method") among the parcels of real property within CFD, in sufficient detail to allow each landowner within the CFD to estimate the maximum amount such owner will have to pay, are described in Exhibit B attached hereto and hereby incorporated herein.

The Special Tax shall not be levied in the CFD after fiscal year 2046-47, except that a Special Tax that was lawfully levied in or before the final tax year and that remains delinquent may be collected in subsequent years. Under no circumstances shall the Special Tax levied against any parcel in the CFD used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the CFD by more than 10%.

6. Exempt Property. Except as may otherwise be provided by law or by the Rate and Method, all lands owned by any public entity, including the United States, the State of California, the County of Santa Cruz, or any political subdivisions thereof, shall be omitted from the levy of the Special Tax. If a portion of the property within the CFD for any reason becomes exempt, wholly or in part, from the levy of the Special Tax, this Board will, on behalf of the CFD, increase the levy to the extent necessary upon the remaining property within the CFD that is not exempt in order to yield the required debt service payments and other annual expenses of the CFD, subject to the provisions of the Rate and Method regarding the maximum Special Tax.

7. Election. The levy of the Special Tax shall be subject to the approval of the qualified electors within the CFD at a special election. The proposed voting procedure shall be by approval of the registered voters within the proposed CFD at a special election.

8. Special Tax Bonds. It is the intention of this Board, acting as the legislative body for the CFD, to cause bonds of the Authority to be issued for the CFD under the Act to finance in whole or in part the construction and/or acquisition of the Facilities. The bonds shall be issued in an aggregate principal amount not to exceed \$67,000,000, shall be issued in such series and bear interest payable semi-annually or in such other manner as this Board may determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of each series of bonds, and shall mature not to exceed 30 years from the date of the issuance thereof.

9. CFD Report. The Executive Director of the Authority, or the designee of such officer, is hereby directed to study the proposed Facilities and to make, or cause to be made, and file with the Secretary a report in writing, (the "CFD Report") presenting the following:

(a) A description of the Facilities by type which will be required to adequately meet the needs of the CFD.

(b) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Act.

The CFD Report shall be made a part of the record of the public hearing specified below.

10. Public Hearing. Thursday, February 4, 2016, at 9:00 a.m. or as soon as possible thereafter, in the Meeting Room at the Downtown Branch of the Santa Cruz Public Libraries, 224 Church Street, Santa Cruz, California, are hereby designated as the time and place when and where this Board, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD and the levy of the Special Tax.

11. Notice of Hearing. The Secretary is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least 7 days before the date of the public hearing specified above. The notice shall be substantially in the form specified in Section 53322 of the Act, with the form summarizing the provisions hereof hereby specifically approved.

12. Tender. This Board reserves to itself the right and authority to allow any interested owner of property in the CFD, subject to the provisions of Section 53344.1 of the Act and as it may otherwise impose, and further subject to any applicable prepayment penalties prescribed in the documents governing issuance of the Bonds, to tender to the Authority in full or partial payment of any installment of special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby in the manner described in Section 53344.1 of the Act.

13. Approval of Special Tax Consultant. The firm of NBS is hereby designated as Special Tax Consultant to the Authority for the CFD. The officers of the Authority are hereby authorized and directed to execute an agreement with said firm for its services in connection with the CFD.

14. Approval of Bond Counsel and Disclosure Counsel. The firm of Jones Hall, A Professional Law Corporation, is hereby designated as Bond Counsel and Disclosure Counsel to the Authority for the CFD and the Bonds. The officers of the Authority are hereby authorized and directed to execute an agreement with said firm for its services in connection with the CFD and the Bonds.

15. Notice to City and/or County. The Executive Director is hereby authorized and directed to provide the notice required pursuant to Section 53315.6 of the Act.

16. Effective Date. This resolution shall be effective upon its adoption by the Board.

Upon motion of Director Bernal, seconded by Director Goldstein, and on the following roll call vote, to wit:

AYES: Ando, Bernal, Goldstein, Mauriello

NOES:

ABSENT:

ABSTAINING:

the foregoing resolution is hereby adopted on December 17, 2015.


Board Chair

ATTEST:


Secretary

EXHIBIT A

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY Community Facilities District No. 2016-1

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

The types of Facilities proposed to be financed or funded in whole or in part by the Community Facilities District No. 2016-1 (the "CFD") of the Santa Cruz Libraries Facilities Financing Authority (the "Authority") of the under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act") are as follows:

The Facilities means library facilities in the County of Santa Cruz, including but not limited to Aptos, Boulder Creek, Branciforte, Capitola, Downtown Santa Cruz, Felton, Garfield Park, La Selva Beach, Live Oak and Scotts Valley, but excluding library facilities in the City of Watsonville. The Facilities shall include any of the following: new construction, building renovations and service model upgrades needed to provide service desks, an area for displaying materials, separate areas for teens and children, flexible spaces and/or meeting rooms and study rooms, places to display art, new flooring, paint, shelving, furniture and technology, power/data to support library technology, and other upgrades.

The Facilities shall also include, without limitation, the attributable costs of engineering, design, planning, materials testing, coordination, construction staking, and construction, together with the expenses related to issuance and sale of any "debt", as defined in Section 53317(d) of the Act, including underwriters' discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, financial advisor, bond and official statement printing, administrative expenses of the Authority, the CFD and bond trustee or fiscal agent related to the CFD, and any such debt and all other incidental expenses. The Facilities shall be constructed or modified, upgraded or otherwise renovated, whether or not acquired in their completed states, pursuant to plans and specifications approved by the Parties to the Authority's Joint Exercise of Powers Agreement.

The Facilities listed in this Exhibit A are representative of the types of improvements to be furnished by the CFD. Detailed scope and limits of specific projects will be determined as appropriate by the Parties. Addition, deletion or modification of descriptions of Facilities may be made consistent with the requirements of the Authority, the CFD and the Act.

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:

"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.

"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 mobiles 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, 301, 500, 501, 505, 510, 511, 515, 520, 521, 525, 530, 531, 535, 540, 541, and 545.

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 and Taxable Public 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 and 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	Per	Maximum Special Tax
Single Family Residential	Unit	\$49.50
Multi Family Residential	Unit	49.50
Agricultural	Parcel	86.00
Commercial	Parcel	86.00
Recreational	Parcel	86.00

(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 \$78,100,000 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.

RESOLUTION NO. 2015-01

A RESOLUTION APPROVING GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS

WHEREAS, this Board (the "Board") of the Santa Cruz Libraries Facilities Financing Authority (the "Authority") intends to consider the conduct of proceedings under the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, commencing with Section 53311 of Part 1, Division 2, Title 5 of the California Government Code, hereafter the "Act"); and

WHEREAS, under the Act, the Authority may initiate proceedings to establish a community facilities district only if it has first considered and adopted local goals and policies (the "Goals and Policies") in accordance with Government Code Section 53312.7, and the Board now desires to adopt such Goals and Policies;

NOW, THEREFORE, IT IS ORDERED, by the Board of the Santa Cruz Libraries Facilities Financing Authority, that in accordance with the requirements of Government Code Section 53312.7 and for purposes of the Act, the Board adopts the Goals and Policies as set forth in Exhibit "A" attached hereto and incorporated herein by reference.

This resolution shall be effective upon its adoption by the Board.

Upon motion of Director Goldstein, seconded by Director Bernal, and on the following roll call vote, to wit:

AYES: Ando, Bernal, Goldstein, Mauriello

NOES:

ABSENT:

ABSTAINING:

the foregoing resolution is hereby adopted on December 17, 2015.



Board Chair

ATTEST:



Secretary

EXHIBIT A

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS**

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

LOCAL GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS

I. GENERAL.

Section 53312.7(a) of the California Government Act requires that the Santa Cruz Libraries Facilities Financing Authority (the "**Authority**") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "**Act**") prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("**CFD**") under the Act.

These Local Goals and Policies for Community Facilities Districts (the "**Policies**") provide guidance and conditions for the conduct by the Authority of proceedings for, and the issuance of bonds secured by special taxes levied in, a CFD established under the Act. The Policies are intended to be general in nature; specific details will depend on the nature of each particular financing. The Policies are applicable to special tax financings and are intended to comply with Section 53312.7 (a) of the Government Act. These Policies shall not apply to any assessment financing or any certificate of participation or similar financings involving leases of or security in public property. These Policies are subject to amendment by the Authority at any time.

II. FINANCING PRIORITIES.

Eligible Facilities. The real or tangible property eligible to be financed by a CFD are those identified in the Act, and must be owned by a public agency or public utility and must have a useful life of at least 5 years, except that up to 5% of the proceeds of an issue may be used for property owned and operated by a privately-owned public utility. Any new development proposed within a CFD must have received any required legislative approvals such as zoning or specific plan approvals. A CFD shall not vest any rights to future land use on any properties, including those which are responsible for paying special taxes.

The funding of public facilities to be owned and operated by public agencies other than the Authority shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the Authority, or the proposed facilities are otherwise consistent with approved land use plans for the property, the Authority may consider entering into a joint community facilities agreement or joint powers authority agreement in order to finance these facilities. A joint agreement with the public agency that will own and operate any such facility must be entered into at the time or times required by the Act.

A CFD may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act, as applicable.

Priorities. Priority for CFD financing shall be given to public facilities which provide a clearly defined public benefit.

Eligible Services. The services eligible to be financed by a CFD (the "**Services**") are those identified in the Act, including without limitation Section 53313 of the Act. To the extent required by the Act, the CFD may only finance the Services to the extent they are in addition to those provided in the territory of the CFD before the CFD was created, and the additional

Services may not supplant services already available within the territory of the CFD when the CFD was created.

III. CREDIT QUALITY OF BOND ISSUES.

For all CFD bond issues, the value of the taxable property included in the CFD (taking into account the value of the public improvements to be financed by the CFD) should be at least 4 times the principal amount of the bonds to be issued plus the outstanding principal amount of any outstanding bonds secured by a special tax or assessment lien on the property in the CFD, unless otherwise specifically approved by the Authority Board as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal (as described in VI below) or on assessed values as indicated on the county assessor's tax roll.

In most cases, a reserve fund will be required for all bond issues, which shall be funded in an amount equal to the lesser of (i) 10% of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) 125% of the average annual debt service on the bonds. A smaller reserve fund may be permitted in specific cases depending on the value, development status, or other aspects of the property within the CFD.

The Authority may disallow the sale of bonds or require additional credit enhancement for the bonds under certain circumstances, such as cases where the property value to public lien ratio is less than 4 to 1, excessive tax delinquencies exist with respect to the property in the CFD, or the project proposed to be constructed within the CFD is deemed to have poor economic viability.

The Authority may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the Authority, or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

IV. DISCLOSURES

Purchasers of Property. As a minimum, any disclosures mandated by applicable state law shall apply to each CFD to inform prospective purchasers of property within the CFD of the existence of the special tax lien and their obligations with respect to the special taxes and the CFD. In addition, there may be additional requirements mandated by the Authority for particular kinds of financings on a case-by-case basis. The Authority may prescribe specific forms to be used to disclose the existence and extent of obligations imposed by CFD.

Disclosure Requirements for the Resale of Lots. The Authority may provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Act. This notice shall be provided by the Authority after receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Special tax formulas shall provide for minimum special tax levels which at minimum satisfy the following payment obligations of a CFD:

(a) a minimum 110% gross debt service coverage for all CFD bonded indebtedness,

(b) the administrative expenses of the CFD, and

(c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on related bonds of the CFD.

In addition, the special tax formula may provide for the following to be included in the Special Tax levies:

(a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD,

(b) the accumulation of funds reasonably required for future debt service,

(c) amounts equal to projected delinquencies of special tax payments,

(d) the costs of remarketing, credit enhancement and liquidity facility fees,

(e) the cost of acquisition, construction, furnishing or equipping of authorized Facilities,

(f) lease payments for existing or future facilities,

(g) costs associated with the release of funds from an escrow account,

(h) the costs of Services, and

(i) any other costs or payments permitted by law.

Exemptions from the special tax may be given on a case-by-case basis at the discretion of the Authority, and may include without limitation parcels that are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

With respect to any CFD whose qualified electors are landowner voters (rather than registered voters), at the time a CFD is formed, the Authority shall reasonably determine that the total projected annual property tax rate on each residential parcel in the CFD (including the special taxes (based on the expected special tax rates and not any "back-up" special taxes), ad valorem taxes, and any maintenance, landscaping or other assessments, and other similar annual government charges, but excluding homeowners' association annual levies) will not exceed the lesser of (i) 2% of the estimated sales prices or assessed values of the respective homes to be constructed in the CFD, or (ii) any maximum specified in the Act.

The annual increase, if any, in the maximum special tax for any parcel may not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel as a consequence of delinquency or default by the owner of any other parcel may not exceed any maximum specified in the Act.

Special taxes will only be levied on an entire assessor's parcel, and any allocation of special tax liability of an assessor's parcel to leasehold or possessory interest in the fee ownership of such assessor's parcel shall be the responsibility of the fee owner of such parcel and the Authority shall have no responsibility therefore and has no interest therein. Failure of the owner of any parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire assessor's parcel to foreclosure in accordance with the Act.

The Authority may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, administrative costs, services (if applicable) and other related expenditures. Such analysis may also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

VI. APPRAISALS

The definitions, standards and assumptions to be used for appraisals shall be determined by District staff on a case-by-case basis, with input from District consultants, and by reference to relevant materials and information promulgated by the State of California, including without limitation the Appraisal Standards for Land-Secured Financings prepared by the California Debt and Investment Advisory Commission. The appraiser shall be selected by or otherwise acceptable to the Authority, and the appraisal shall be coordinated by and under the direction of, or otherwise as acceptable to, the Authority.

The date of value of the appraisal must generally be no more than approximately three months before the date the bonds are sold, unless the Authority Board determines that a longer time is appropriate.

All costs associated with the preparation of the appraisal report shall be paid by the property owners requesting the establishment of the CFD, if applicable.

VII. TERMS AND CONDITIONS OF BONDS.

All terms and conditions of the bonds shall be established by the Authority. The Authority will control, manage and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or rating of the Authority. These security measures could include a combination of credit enhancement, foreclosure covenant, or establishment of a special reserve fund. The Authority has the sole discretion to determine the types of credit enhancement, foreclosure covenant and special reserve fund that may be required.

VIII. EXCEPTIONS TO THESE POLICIES

The Authority may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special benefits to be derived from such waiver. Such waivers only will be granted by action of the Authority Board.