# LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)

On Thursday February 6, 2025 at 9:00 AM

All LFFA Board Meetings are held in-person and open to the public. Members of the public may also view the meetings via the alternative methods provided below as a courtesy. Please note that if the Zoom or YouTube connection malfunctions for any reason, and no Board Members are attending via teleconference, the meeting will continue in-person without remote access.

**Public Viewing:**

The meeting will be broadcast through the Santa Cruz Libraries YouTube channel https://www.youtube.com/user/SantaCruzPL which you can access through the Santa Cruz Libraries website by scrolling to the bottom of the page and clicking on the YouTube icon. The meetings will be recorded and posted for viewing after the meetings on the Santa Cruz Public Libraries website.

**Public Participation:**

Members of the public may provide public comments to the Board in-person during the meeting for any item on the agenda or within the subject matter jurisdiction of the Board. Any public comment for a specific item on the agenda must be received prior to the close of the public comment period for that item.

Any person who is not able to attend in-person may submit a written comment as indicated below. Submitted written public comments will be included as part of the record of the meeting, either in Written Correspondence or in the Minutes, depending on when received by staff. Please be aware that the Board will not accept comments via Zoom nor read aloud written comments during the meeting.

**How to comment on agenda items <u>via email</u> before the meeting begins:**

Members of the public may provide public comment by sending an email to the Library Board Clerk at clerk@santacruzpl.org.

- Identify the agenda item number in the subject line of the email.
- Emailed comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time.

- All correspondences and written comments received prior to 12:00 p.m. on the Wednesday preceding a Board Meeting will be distributed to Board members to review prior to the meeting with the published Agenda packet. Written comments submitted after the Agenda and packet have been published will be distributed as Additional Materials at the commencement of the meeting.

Need more information? Contact clerk’s office at 831-427-7700 ext. 7618.

SANTA CRUZ
PUBLIC LIBRARIES

# SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA) REGULAR BOARD MEETING AGENDA

## THURSDAY FEBRUARY 6, 2025

## 9:00 A.M.

**In-Person Location:**
**Aptos Branch Library**
**7695 Soquel Drive in Aptos, CA 95003**

**PLEASE NOTE:**

The Santa Cruz City-County Library System 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 (831) 427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org.

**Agenda and Agenda Packet Materials**: The LFFA agendas and the complete agenda packet containing public records, which are not exempt from disclosure pursuant to the California Public Records Act, are available for review on the website: www.santacruzpl.org and at Library Headquarters, located at 117 Union Street, Santa Cruz, California, during normal business hours.

**Agenda Materials Submitted after Publication of the Agenda Packet**: Pursuant to Government Code §54957.5, public records related to an open session agenda item submitted after distribution of the agenda packet are available at the time they are distributed or made available to the legislative body on the website at: www.santacruzpl.org and are also available for public inspection at Library Headquarters, 117 Union Street Santa Cruz, California, during normal business hours, and at the LFFA meeting.

Need more information? Contact clerk’s office at 831-427-7700 ext. 7618.

## 1. CALL TO ORDER / ROLL CALL

Board Members Matt Huffaker, Mali LaGoe, Jamie Goldstein and Nicole Coburn

## 2. ADDITIONAL MATERIALS

*Additional information submitted after distribution of the agenda packet.*

## 3. ADDITIONS AND DELETIONS TO AGENDA

## 4. PUBLIC COMMENT

*Any member of the community may address the Board during this Public Comment period on any matter included on today's agenda or on any topic not on todays' agenda but within the subject matter jurisdiction of the Board. Please note, however, that for non-agendized items, the Board is not able to undertake extended discussion or take any action today without notice. Such items may be referred to staff for appropriate action, such as individual follow-up or placement on a future agenda. If you intend to address a subject or item that is on the Agenda, please hold your comments until that item is before the Board so that we may properly address all comments on that subject at the same time. In general, 3 minutes will be permitted per speaker during Public Comment; A MAXIMUM of 30 MINUTES is set aside for Public Comment at this time.*

## 5. LIBRARY DIRECTOR REPORT

Library Director's Report for February 2025 (p.5)

## 6. CONSENT CALENDAR

A. Consider the October 31, 2024 LFFA Board Meeting Minutes
Staff Recommendation: Approve Board Meeting Minutes for October 31, 2024 (p.6-7)

B. LFFA Basic Financial Statements and Independent Auditor's Report
Staff Recommendation: Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2024, and related correspondence. (p.8-38)

C. Special Tax Bond Quarterly Financial Reports as of December 31, 2024
Staff Recommendation: Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2024. (p.39-41)

*All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes on the action unless members of the public or the Board request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Business.*

## 7. GENERAL BUSINESS

A. Annual Election of Board Chair and Board Vice Chair
Staff Recommendation: Elect the Calendar year 2025 Board Chair and Vice-Chair as the City of Santa Cruz and the City of Scotts Valley respectively. (p.42)

B. Member Allocations
Staff Recommendation: Direct staff to draft amendment to Amended and Restated Joint Exercise of Powers Agreement increasing the maximum distribution to the parties by $30,000,000, in the same percentage as the existing distribution. (p.43-47)

C. Approval of Special Tax Bonds for Phase 3 Funding of Library Facilities
Staff Recommendation: Adopt Resolution authorizing the issuance of the Authority's Community Facilities District No. 2016-1 2025 Special Tax Parity Bonds in a principal amount not to exceed $14,000,000 and approving certain documents and taking certain other actions in connection therewith. (p.48-169)

*Other Business items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each Business item: 1) Staff explanation; 2) Board questions; 3) Public comment; 4) Board deliberation; 5) Decision.*

## 8. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

## 9. SCHEDULED UPCOMING MEETINGS

| **May 1, 2025** | **Scotts Valley Branch Library** | **Anticipated Upcoming Agenda Items** |
|---|---|---|
| **9:00 am** | **251 Kings Village Road, Scotts Valley CA 95066** | • **Quarterly Reports** |

## 10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday May 1, 2025 at 9:00 a.m. at the Scotts Valley Branch Library, 251 Kings Village Road, Scotts Valley, CA 95066.

The Santa Cruz City-County Library System 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 (831)427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org

February 6, 2025

SANTA CRUZ
PUBLIC LIBRARIES

Director’s Report to the Library Facilities Financing Authority

APTOS: New fencing installed on south perimeter in cooperation with the Aptos Friends Chapter.

BOULDER CREEK: Construction Complete. Installation of awning scheduled for Spring 2025.

BRANCIFORTE: Support from the Friends of the SCPL will fund new internal doors and sound baffling.

CAPITOLA: County staff are coordinating with SCPL and Capitola Friends Chapter to review next steps on solar installation and consideration of a generator.

DOWNTOWN SANTA CRUZ: Currently investigating means to add security to ground floor staff area after trespassing & theft by a patron.

FELTON: County staff are coordinating with SCPL to review consideration of installing a permanent generator.

GARFIELD PARK: Construction Complete

LA SELVA BEACH: Construction Complete

LIVE OAK LIBRARY ANNEX at Simpkins Swim Center: A ribbon cutting open house event occurred Saturday, November 23rd.

SCOTTS VALLEY: Investigating additional lighting solutions for main floor to improve overall lighting in the space without interfering with the fire sprinkler system.

| | |
|---|---|
| Chair | Jamie Goldstein |
| Vice Chair | Matt Huffaker |
| Board Member | Mali LaGoe |
| Board Member | Nicole Coburn |

# SANTA CRUZ PUBLIC LIBRARIES
# A CITY-COUNTY SYSTEM

# SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA)

## In person and online provided meeting

## REGULAR MEETING MINUTES
## THURSDAY OCTOBER 31, 2024

## 9:00 A.M.

### 1. ROLL CALL

**PRESENT:** Jamie Goldstein, Nicole Coburn, Mali LaGoe, Matt Huffaker
**STAFF:** Christopher Platt, Library Director

### 2. ADDITIONAL MATERIALS

None

### 3. ADDITIONS AND DELETIONS TO AGENDA

The Agenda of October 31, 2024 was approved by consensus.

### 4. ORAL COMMUNICATION

None

### 5. LIBRARY DIRECTOR REPORT

A. Library Director's Report – October 31, 2024

Library Director Christopher Platt presented his report on the recent activities of the libraries and the status of facilities.

## 6. CONSENT CALENDAR

**RESULT: APPROVED CONSENT CALENDAR**

**A. Approved Minutes of August 1, 2024.**
**B. Approved the Special Tax Consultant Agreement and the Disclosure Counsel Agreement for the third series of the CFD Special Tax Bonds and authorized the Chair of the Board of Directors to sign the agreements.**
**C. Accepted and filed the attached financial statements of the Community Facilities District No. 2016-1 as of September 30, 2024.**
**D. Adopted Annual Meeting Schedule 2025.**
**E. Accepted FY 2024/25 CFD No. 2016-1 Annual Report.**
**F. Accepted the Annual Community District Reports for the fiscal year ended June 30, 2024.**
**[UNANIMOUS]**

**MOVER:** **Matt Huffaker**
**SECONDER:** **Mali LaGoe**
**AYES:** **Huffaker, Goldstein, LaGoe, Coburn**

## 7. GENERAL BUSINESS

None

## 8. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

None

## 9. SCHEDULED UPCOMING MEETINGS

## 10. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 9:08 a.m. to the Regular Meeting on Thursday February 6, 2025 at 9:00 a.m. at the Aptos Branch Library, 7695 Soquel Drive, Aptos CA 95003.

## 11. WRITTEN CORRESPONDENCE

None

ATTEST: ___________________________
Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Santa Cruz Public Libraries – Library Headquarters Office, 117 Union Street, Santa Cruz.

SANTA CRUZ
PUBLIC LIBRARIES

# Staff Report

AGENDA: February 6, 2025

TO: Board of Directors

FROM: LFFA Treasurer-Controller

SUBJECT: LFFA Basic Financial Statements and Independent Auditor's Report

## RECOMMENDATION

Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2024, and related correspondence.

## DISCUSSION

Pursuant to Section 4(d)(i) of the Amended and Restated Joint Exercise of Powers Agreement, the LFFA Treasurer-Controller is required to "prepare or cause to be prepared an independent audit to be made by a certified public accountant, or a public accountant, as required under Sections 6505, 6505.5 and 6505.6 of the Joint Powers Act." On May 4, 2023, the Board approved an amendment to the Contract with the CPA Firm of Brown Armstrong to conduct audits for fiscal years 2022-23 and 2023-24.

The 2023-24 audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The audit opinion is provided on page 2 of the Independent Auditor's Report. An Unqualified Opinion, often referred to as a "clean opinion," was issued reflecting that the report was presented fairly, in all material respects and is free of any misrepresentations.

# SANTA CRUZ LIBRARIES
# FACILITIES FINANCING AUTHORITY

## BASIC FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITOR'S REPORT

## FOR THE YEAR ENDED JUNE 30, 2024

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**JUNE 30, 2024**

## TABLE OF CONTENTS


Page

**Financial Section:**

Independent Auditor's Report ........ 1

**Basic Financial Statements**:

Government-Wide Financial Statements:

Statement of Net Position ........ 4

Statement of Activities ........ 5

Fund Financial Statements:

Governmental Fund Financial Statements:

Balance Sheet ........ 6

Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position ........ 7

Statement of Revenues, Expenditures, and Changes in Fund Balance ........ 8

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities ........ 9

Notes to the Basic Financial Statements ........ 10

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund ........ 18

Note to the Required Supplementary Information ........ 19

**Other Report:**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ........ 20

# FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and general fund of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Authority, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 21, 2024

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and investments | $ 1,897,041 |
| Cash with fiscal agent | 707,532 |
| Total Current Assets | 2,604,573 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts payable | 247,651 |
| Interest payable | 390,677 |
| Bonds payable, due within one year | 1,125,570 |
| Total Current Liabilities | 1,763,898 |
| **Long-Term Liabilities:** | |
| Bonds payable, due in more than one year | 36,518,029 |
| Total Liabilities | 38,281,927 |
| **NET POSITION** | |
| Restricted: | |
| Other governments | 707,532 |
| Unrestricted | (36,384,886) |
| Total Net Position | $ (35,677,354) |

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | | Program Revenues | |
|---|---|---|---|
| Functions/Programs | Expenses | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| Governmental activities: | | | |
| General government | $ 4,491,230 | $ - | $ (4,491,230) |
| Total governmental activities | $ 4,491,230 | $ - | $ (4,491,230) |
| | **General Revenues:** | | |
| | Tax assessments | | 4,462,692 |
| | Investment income | | 110,610 |
| | **Total general revenues** | | 4,573,302 |
| | **Change in net position** | | 82,072 |
| | **Net position:** | | |
| | Beginning of year | | (35,759,426) |
| | End of year | | $ (35,677,354) |

See accompanying notes to the basic financial statements.

# FUND FINANCIAL STATEMENTS

## SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
## BALANCE SHEET
## JUNE 30, 2024

| | General Fund |
|---|---|
| **ASSETS** | |
| Cash and investments | $ 1,897,041 |
| Cash with fiscal agent | 707,532 |
| Total Assets | $ 2,604,573 |
| **LIABILITIES AND FUND BALANCE** | |
| **Liabilities:** | |
| Accounts payable | $ 247,651 |
| Total Liabilities | 247,651 |
| **Fund Balance:** | |
| Restricted | 707,532 |
| Committed | 1,649,390 |
| Total Fund Balance | 2,356,922 |
| Total Liabilities and Fund Balance | $ 2,604,573 |

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**
**JUNE 30, 2024**

| | |
|---|---|
| Fund Balance - Total Governmental Fund (Page 6) | $ 2,356,922 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund. Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental fund. All liabilities are reported in the statement of net position. | |
| Balances as of the end of the year are: | |
| Bonds payable | (37,643,599) |
| Interest payable | (390,677) |
| Net Position of Governmental Activities (Page 4) | $ (35,677,354) |

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**STATEMENT OF REVENUES, EXPENDITURES,**
**AND CHANGES IN FUND BALANCE**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | General Fund |
|---|---|
| **REVENUES:** | |
| Tax assessments | $ 4,462,692 |
| Interest income | 110,610 |
| Total Revenues | 4,573,302 |
| **EXPENDITURES:** | |
| Contributions to other agencies | 3,335,748 |
| Principal on long-term debt | 995,000 |
| Interest on long-term debt | 1,196,906 |
| General and administrative | 60,729 |
| Total Expenditures | 5,588,383 |
| **NET CHANGE IN FUND BALANCE** | (1,015,081) |
| **FUND BALANCE:** | |
| Beginning of year | 3,372,003 |
| End of year | $ 2,356,922 |

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2024**

| | |
|---|---|
| Net Change in Fund Balance - Total Governmental Fund (Page 8) | $ (1,015,081) |
| Repayment of debt principal was an expenditure in the governmental fund, but the repayment reduced long-term liabilities in the government-wide statement of net position: | |
| Special Tax Bonds | 995,000 |
| Amortization of bond premium | 85,570 |
| Change in accrued interest payable | 16,583 |
| Change in Net Position of Governmental Activities (Page 5) | $ 82,072 |

See accompanying notes to the basic financial statements.

# NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Cruz Libraries Facilities Financing Authority (the Authority) was organized on December 9, 2014, under a Joint Exercise of Powers Agreement and was amended and restated on February 28, 2017, as a result of a joint community facilities agreement. The members of the Authority include the County of Santa Cruz (the County), the City of Santa Cruz, the City of Scotts Valley, and the City of Capitola (collectively, the Members). The Authority was created under the Mello-Roos Community Facilities Act of 1982, in conformity with California Government Code Section 53311 et seq. for the purpose of financing the acquisition, construction, and/or improvement of public library facilities. Certain authorized facilities will be owned or operated by one or more of the Members, or owned by another local agency but controlled, in whole or in part, by a Member.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

**Government-Wide Financial Statements**

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Transactions reported as program revenues for the Authority are operating grants and contributions.

**Governmental Fund Financial Statements**

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

## NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

B. <u>Basis of Presentation</u> (Continued)

**Governmental Fund Financial Statements** (Continued)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are Measure S parcel tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

**Major Fund**

The Authority reported the following major governmental fund in the accompanying financial statements:

- The General Fund - The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. This is the only fund of the Authority.

C. <u>Cash and Investments</u>

The Authority's cash is pooled with the County's cash and investments to maximize the yield. The County pools its available cash for investment purposes.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. <u>Restricted Cash and Investments</u>

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

E. <u>Long-Term Liabilities</u>

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

F. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first.

G. Net Position

**Government-Wide Financial Statements**

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. For the year ended June 30, 2024, the Authority did not have any assets invested in capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments. For the year ended June 30, 2024, the Authority had restricted net position of $707,532.

Unrestricted Net Position – This amount is all net position that is not restricted or invested in capital assets. For the year ended June 30, 2024, the Authority had an unrestricted net position of negative $36,384,886.

H. Fund Balance

**Fund Financial Statements**

The Authority has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund financial statements conform to this new classification. Fund balance consists of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts as described below:

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The Authority did not have any nonspendable fund balance as of June 30, 2024.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Authority had a restricted fund balance of $707,532 as of June 30, 2024.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Authority had committed fund balance of $1,649,390 as of June 30, 2024.

Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The Authority did not have any assigned fund balance as of June 30, 2024.

H. Fund Balance (Continued)

Unassigned fund balance – the residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Authority did not have unassigned fund balance as of June 30, 2024.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

The Authority considers restricted fund balance to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers Committed amounts to be reduced first, followed by Assigned amounts, and then Unassigned amounts.

I. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Effect of New Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2024, the Authority implemented the following standards:

**GASB Statement No. 100** – *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62* for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. There was no impact on the basic financial statements due to the implementation of this statement.

K. Future Governmental Accounting Standards Board Pronouncements

Recently released standards by GASB affecting future years are as follows:

**GASB Statement No. 101** – *Compensated Absences.* The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority has not fully judged the effect of the implementation of GASB Statement No. 101 as of the date of the basic financial statements.

**GASB Statement No. 102** – *Certain Risk Disclosures.* The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The Agency has not fully judged the effect of the implementation of GASB Statement No. 102 as of the date of the financial statements. The Authority has not fully judged the effect of the implementation of GASB Statement No. 102 as of the date of the basic financial statements.

**GASB Statement No. 103** – *Financial Reporting Model Improvements* The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The Authority has not fully judged the effect of the implementation of GASB Statement No. 103 as of the date of the basic financial statements

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments and restricted cash and investments consisted of the following at June 30, 2024:

| | Restricted | Unrestricted | Total |
|---|---|---|---|
| Pooled cash and investments held by the County of Santa Cruz | $ - | $ 1,897,041 | $ 1,897,041 |
| Cash with fiscal agent | 707,532 | - | 707,532 |
| Total | $ 707,532 | $ 1,897,041 | $ 2,604,573 |

A. Cash Held with the County Treasurer

The Authority pools cash from all sources and all funds with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity. The County Treasury Oversight Committee oversees the Treasurer's investments and policies.

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's Investment Policy that address interest rate risk, credit risk, and concentration risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Local agency bonds | 5 years | 10% | None |
| U.S. Treasury obligations | 5 years | 100% | None |
| U.S. Governmental Agency obligations | 5 years | 100% | 25% |
| Bankers' acceptances | 180 days | 40% | 10% |
| Commercial paper | 270 days | 25% | 10% |
| Negotiable certificates of deposit | 5 years | 30% | 10% |
| Non-negotiable certificates of deposit | 5 years | None | 10% |
| Bank deposits | 5 years | 10% | 10% |
| Repurchase agreements | 1 year | 100% | 10% |
| Medium-term notes | 5 years | 30% | 10% |
| Mutual funds/money market mutual funds | N/A | 20% | 10% |
| Local Agency Investment Fund (LAIF) | N/A | $75 million | None |
| Joint Powers Authority investment funds | N/A | 25% | None |
| Supranationals | 5 years | 30% | None |

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

D. Concentration of Credit Risk

At June 30, 2024, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

F. LAIF

The County is a participant in the LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2024, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

- Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

- Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2024, as included within the County's basic financial statements, the County invested $10,114 in LAIF. LAIF provided a fair value factor of 0.996316042 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

G. Restricted Cash Held with Fiscal Agents

Restricted cash with fiscal agents in the amount of $707,532 included certain amounts which are held by fiscal agents on behalf of members and distributed for qualified project costs. These funds have been invested as permitted by applicable County ordinances and resolutions.

## NOTE 3 – LONG-TERM DEBT

Activity for long-term debt for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 | Amounts Due Within a Year | Amounts Due More than a Year |
|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | |
| 2020 Special Tax Bonds | $ 17,710,000 | $ - | $ (475,000) | $ 17,235,000 | $ 495,000 | $ 16,740,000 |
| Plus Deferred Amounts: | | | | | | |
| For Issuance Premiums | 1,097,083 | - | (47,356) | 1,049,727 | 47,356 | 1,002,371 |
| 2017 Special Tax Bonds | 19,070,000 | - | (520,000) | 18,550,000 | 545,000 | 18,005,000 |
| Plus Deferred Amounts: | | | | | | |
| For Issuance Premiums | 847,086 | - | (38,214) | 808,872 | 38,214 | 770,658 |
| Total Governmental Activities Long-Term Liabilities | $ 38,724,169 | $ - | $ (1,080,570) | $ 37,643,599 | $ 1,125,570 | $ 36,518,029 |

*2017 Special Tax Bonds*

On June 1, 2017, the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2017 Special Tax Bonds (2017 Special Tax Bonds) in the original amount of $21,170,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made on September 1. As of June 30, 2024, the total principal balance was $18,550,000 and the unamortized bond premium was $808,872. Principal and interest paid for the current period was $1,203,331.

The debt service requirement to maturity for the 2017 Special Tax Bonds, including interest, is as follows:

| Year Ending June 30 | Governmental Activities Bonds Payable Principal | Interest |
|---|---|---|
| 2025 | $ 545,000 | $ 656,706 |
| 2026 | 575,000 | 628,706 |
| 2027 | 605,000 | 599,206 |
| 2028 | 635,000 | 568,206 |
| 2029 | 665,000 | 539,031 |
| 2030-2034 | 3,725,000 | 2,300,831 |
| 2035-2039 | 4,355,000 | 1,660,684 |
| 2040-2044 | 5,135,000 | 863,356 |
| 2045-2046 | 2,310,000 | 81,550 |
| Subtotal | 18,550,000 | $ 7,898,276 |
| Premium | 808,872 | |
| | $ 19,358,872 | |

*2020 Special Tax Bonds*

On February 20, 2020, the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2020 Special Tax Bonds (2020 Special Tax Bonds) in the original amount of $18,590,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made on September 1. As of June 30, 2024, the total principal balance was $17,235,000 and the unamortized bond premium was $1,049,727. Principal and interest paid for the current period was $988,575.

**NOTE 3 – LONG-TERM DEBT** (Continued)

The debt service requirement to maturity for the 2020 Special Tax Bonds, including interest, is as follows:

| Year Ending June 30 | Governmental Activities Bonds Payable Principal | Governmental Activities Bonds Payable Interest |
|---|---|---|
| 2025 | $ 495,000 | $ 489,325 |
| 2026 | 520,000 | 463,950 |
| 2027 | 550,000 | 437,200 |
| 2028 | 575,000 | 409,075 |
| 2029 | 605,000 | 379,575 |
| 2030-2034 | 3,440,000 | 1,505,400 |
| 2035-2039 | 3,875,000 | 1,081,600 |
| 2040-2044 | 4,325,000 | 617,281 |
| 2045-2046 | 2,850,000 | 108,124 |
| Subtotal | 17,235,000 | $ 5,491,530 |
| Premium | 1,049,727 | |
| | $ 18,284,727 | |

**NOTE 4 – SUBSEQUENT EVENTS**

The Authority's management has evaluated all events and transactions that occurred after June 30, 2024, and through November 21, 2024, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

# SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
## BUDGETARY COMPARISON SCHEDULE
## GENERAL FUND
## FOR THE YEAR ENDED JUNE 30, 2024

| | Budget Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| **REVENUES:** | | | | |
| Tax assessments | $ 4,444,000 | $ 4,462,693 | $ 4,462,692 | $ (1) |
| Interest income | 7,015 | 110,611 | 110,610 | (1) |
| Total Revenues | 4,451,015 | 4,573,304 | 4,573,302 | (2) |
| **EXPENDITURES:** | | | | |
| Contributions to other agencies | 2,190,483 | 3,335,752 | 3,335,748 | 4 |
| Principal on long-term debt | 995,000 | 995,000 | 995,000 | - |
| Interest on long-term debt | 1,196,906 | 1,196,907 | 1,196,906 | 1 |
| General and administrative | 53,500 | 60,729 | 60,729 | - |
| Total Expenditures | 4,435,889 | 5,588,388 | 5,588,383 | 5 |
| **NET CHANGE IN FUND BALANCE** | $ 15,126 | $ (1,015,084) | $ (1,015,081) | $ 3 |
| **FUND BALANCE:** | | | | |
| Beginning of year | | | 3,372,003 | |
| End of year | | | $ 2,356,922 | |

See the accompanying note to the required supplementary information.

## NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

### General Budget Policies

The Santa Cruz Libraries Facilities Financing Authority (the Authority) shall adopt an annual budget which provides for allocating the funds it receives to Members of the Authority. The budget allocation shall be based on the First Supplement to the Amended and Restated Joint Exercise of Powers Agreement, dated September 25, 2018. Once a Member has received their maximum allocations based on the Agreement, further allocations will not be paid. The Authority shall distribute all of the funds it receives each year, less funds set aside for debt service and administrative costs, up to the maximum allocations.

# OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and general fund of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 21, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 21, 2024

SANTA CRUZ PUBLIC LIBRARIES

# STAFF REPORT

AGENDA: February 6, 2025

TO: Libraries Facilities Financing Authority Board

FROM: LFFA Treasurer-Controller

RE: Special Tax Bond Quarterly Financial Reports as of December 31, 2024

## RECOMMENDATION

Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2024.

## DISCUSSION

The attached statements provide your Board with a summary of the activity and balances for funds held in trust at Bank of New York as well as an accounting of bond and special tax distributions as of December 31, 2024.

The first attachment, Improvement Fund Activity and Balances of Member Accounts Held in Trust at Bank of New York as of December 31, 2024, provides your Board with an accounting of the funds received into member trust accounts and distributed to members from both the 2017 and the 2020 bond issuances. As of December 31, 2024, the total balance in trust accounts with Bank of New York for these funds is $724,888.85.

The 2017 Special Tax Bond was sold in June 2017. As of December 31, 2024, all 2017 bond funds have been drawn down to reimburse eligible expenditures. The remaining $0.89 is interest income.

The second attachment, Member Distribution Summary as of December 31, 2024, provides your Board with an accounting of the $40,962,660 total bond proceeds received from the two bond issuances as well as a reporting of the $22,024,277 special tax that has been allocated to each member. Because the City of Capitola and the County of Santa Cruz have received their full distribution amounts the special tax remaining after debt payments are made will be distributed only to the City of Santa Cruz and the City of Scotts Valley until they also reach their maximum distribution amount through either bond proceeds or special tax payments.

Attachment #1 – Improvement Fund Activity and Balances of Member Accounts Held in Trust of Bank of New York

Attachment #2 – Member Distribution Summary

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**Community Facilities District No. 2016-1**
**2017 & 2020 Special Tax Bonds**
**Improvement Fund Activity and Balances of Member Accounts Held in Trust at Bank of New York**
**As of December 31, 2024**

**Summary of activity and account balances of bond funds held in trust at Bank of New York**

| Description | Santa Cruz Cnty | Santa Cruz City | Capitola | Scotts Valley | Total |
|---|---|---|---|---|---|
| 2017 Bonds | | | | | |
| Proceeds | $ 13,100,000.00 | $ 500,000.00 | $ 7,526,447.00 | $ 500,000.00 | $ 21,626,447.00 |
| Excess Cost of Issuance | 11,756.08 | 448.70 | 6,754.33 | 448.70 | 19,407.81 |
| Interest | 465,064.78 | 22,723.24 | 263,490.15 | 23,524.55 | 774,802.72 |
| Available funds | 13,576,820.86 | 523,171.94 | 7,796,691.48 | 523,973.25 | 22,420,657.53 |
| Drawdowns | (13,576,820.86) | (523,171.60) | (7,796,691.48) | (523,972.70) | (22,420,656.64) |
| Current balance 2017 Bonds | - | 0.34 | - | 0.55 | 0.89 |
| 2020 Bonds | | | | | |
| Proceeds | 15,386,032.00 | - | 1,824,947.00 | 2,094,000.00 | 19,304,979.00 |
| Excess Cost of Issuance | - | - | - | 11,825.62 | 11,825.62 |
| Interest | 333,038.11 | - | 661.79 | 3,983.95 | 337,683.85 |
| Available funds | 15,719,070.11 | - | 1,825,608.79 | 2,109,809.57 | 19,654,488.47 |
| Drawdowns | (14,994,183.68) | - | (1,825,608.79) | (2,109,808.04) | (18,929,600.51) |
| Current balance 2020 Bonds | 724,886.43 | - | - | 1.53 | 724,887.96 |
| **December 31, 2024 Balance at BNY:** | **$ 724,886.43** | **$ 0.34** | **$ -** | **$ 2.08** | **$ 724,888.85** |

**Santa Cruz Libraries Facilities Financing Authority**
**Community Facilities District No. 2016-1**
**Maximum Distribution Amounts & Member Distribution History**
**As of December 31, 2024**

**Modified authorized distribution amounts and member balances.**

| Object Code | Member | Original Distribution Percentage | Authorized Distribution Amount | Bond Proceeds | Special Tax Distribution | Total Distributions | Balance to Distribute | Modified Distribution Percentage |
|---|---|---|---|---|---|---|---|---|
| 75236 | City of Capitola | 12.90% | $ 10,000,000 | $ 9,358,148 | $ 641,852 | $ 10,000,000 | $ - | **0.00%** |
| 75237 | City of Santa Cruz | 40.32% | 31,250,000 | 500,449 | 16,431,492 | 16,931,941 | 14,318,059 | **98.66%** |
| 75238 | City of Scotts Valley | 4.84% | 3,750,000 | 2,606,275 | 948,721 | 3,554,996 | 195,004 | **1.34%** |
| 75239 | County of Santa Cruz | 41.94% | 32,500,000 | 28,497,788 | 4,002,212 | 32,500,000 | - | **0.00%** |
| | Total | 100.00% | $ 77,500,000 | $ 40,962,660 | $ 22,024,277 | $ 62,986,937 | $ 14,513,063 | |

SANTA CRUZ PUBLIC LIBRARIES

# STAFF REPORT

AGENDA: February 6, 2025

TO: Libraries Facilities Financing Authority

FROM: Christopher Platt, Library Director

SUBJECT: Annual Election of Board Chair and Board Vice-Chair

**RECOMMENDATION**
Elect the Calendar year 2025 Board Chair and Vice-Chair as the City of Santa Cruz and the City of Scotts Valley respectively.

**BACKGROUND**
The LFFA agreement requires that at the first meeting of the new year (January/February) the Board shall elect a Chair and a Vice-Chair. The Chair is the presiding officer and shall sign all contracts of the LFFA unless otherwise provided by a Board resolution.

**DISCUSSION**
The rotation is as follows for the next 4 years:

| YEAR | CHAIR | VICE-CHAIR |
|---|---|---|
| 2025 | City of Santa Cruz | City of Scotts Valley |
| 2026 | City of Scotts Valley | County of Santa Cruz |
| 2027 | County of Santa Cruz | City of Capitola |
| 2028 | City of Capitola | City of Santa Cruz |
| | | |

Report Prepared by: Kira Henifin
Principal Management Analyst

Reviewed and Forwarded by: Christopher Platt, Library Director

SANTA CRUZ PUBLIC LIBRARIES

# STAFF REPORT

AGENDA: February 6, 2025

TO: Libraries Facilities Financing Authority Board

FROM: Edith Driscoll, Treasurer

RE: Member Allocations

**RECOMMENDATION**

Direct staff to draft amendment to Amended and Restated Joint Exercise of Powers Agreement increasing the maximum distribution to the parties by $30,000,000, in the same percentage as the existing distribution.

**DISCUSSION**

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD), was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17.

Pursuant to the Amended and Restated Joint Exercise of Powers Agreement ("JPA") the allocation of funding among members is $77,500,000. Each member receives their share of annual net special tax revenues as a funding source after the allocation of a prorata share of debt service relative to the bond proceeds that were raised for each member. After the 3rd series of special tax bonds being considered for the City of Santa Cruz's downtown library project, the members will have received:

| Member | Allocation | Received to Date | Proposed 3rd Series | Balance to be Funded | Total Allocation |
|---|---|---|---|---|---|
| County of Santa Cruz | 41.94% | $32,500,000 | $ - | $ - | $32,500,000 |
| City of Scotts Valley | 4.84 | 3,574,536 | - | 175,464 | 3,750,000 |
| City of Capitola | 12.90 | 10,000,000 | - | - | 10,000,000 |
| City of Santa Cruz | 40.32 | 18,359,769 | 12,890,231 | - | 31,250,000 |
| Total | 100.00% | $64,434,305 | $12,890,231 | $175,464 | $77,500,000 |

The Authority's municipal advisor has prepared a projection of special taxes to remain after the issuance of the 3rd series of special tax bonds. A memo regarding the surplus and the potential to issue additional bonds under the existing $67 million voter-approved bond authorization is attached hereto.

To summarize, the projections show an approximate $28 million in available special tax over 21 years after the 3rd series of bonds debt service is paid, or approximately $1.3 million annually. If the cap on the total allocation is increased, this annual special tax can be distributed to members to use for pay-go capital projects.

After the issuance of the 3rd series of bonds, approximately $14 million will remain of the original bond authorization. Based on today's interest rates, the remaining time available to collect the special taxes and the required debt service coverage, the CFD could raise a maximum of $11 million. After paying debt service on this additional series of bonds (assuming the maximum issuance), there would be $440,000 in remaining annual surplus to distribute to members for pay-go projects.

Due to the funding available, staff recommends that the total allocation among members be increased by $30 million, in the same percentages as the existing allocation. This would require an amendment of the JPA, approved by each member's elected officials. The allocation proposed is as follows:

| Member | Allocation | Original Allocation | Increase | Revised Allocation |
|---|---|---|---|---|
| County of Santa Cruz | 41.94% | $32,500,000 | $12,582,000 | $45,082,000 |
| City of Scotts Valley | 4.84 | 3,750,000 | 1,452,000 | 5,202,000 |
| City of Capitola | 12.90 | 10,000,000 | 3,870,000 | 13,870,000 |
| City of Santa Cruz | 40.32 | 31,250,000 | 12,096,000 | 43,346,000 |
| Total | 100.00% | $77,500,000 | $30,000,000 | $107,500,000 |

As with the original allocation, the total can be funded with a combination of bond proceeds and special taxes.

Elsewhere on today's agenda, staff are presenting approval of the 3rd series of bonds for the City of Santa Cruz's downtown library project. Based on this current information on available bonding capacity, the members may choose to increase the amount of bond authorization for the 3rd series, recognizing that the funds cannot be distributed (or bonds sold based on the higher amount) until the JPA amendment is approved by all the members' elected officials, or provide further direction to staff.

Attachments:

Memo from Municipal Advisor

HARRELL & COMPANY
ADVISORS, LLC

January 16, 2025

To: Edith Driscoll
Treasurer-Controller
Santa Cruz Libraries Facilities Financing Authority

From: Suzanne Harrell

Re: Remaining Special Taxes

---

I wanted to provide an estimate of annual special taxes available after the issuance of the 3rd series of Special Tax Bonds. The Authority will be funding $12,890,231 for the City of Santa Cruz project with the 3rd series of bonds, with only a few dollars left to allocate to Scotts Valley under the total $77.5 million allocation authorized by the Board.

| Member | Bond Proceeds | Special Taxes to Date | Balance to be Funded | Total Allocation | Allocation Percentage |
|---|---|---|---|---|---|
| County of Santa Cruz | $28,497,788 | $ 4,002,212 | $ - | $32,500,000 | 41.94% |
| City of Scotts Valley | 2,606,275 | 968,261 | 175,464 | 3,750,000 | 4.84 |
| City of Capitola | 9,358,148 | 641,852 | - | 10,000,000 | 12.90 |
| City of Santa Cruz | 500,449 | 17,859,320 | 12,890,231 | 31,250,000 | 40.32 |
| Total | $40,962,660 | $ 23,471,645 | $ 13,065,695 | $77,500,000 | 100.00% |

The voters authorized $67 million in bonds, of which $39,760,000 have been issued, with an estimated $13 million to be issued for the 3rd series. The aggregate issued will be approximately $52,760,000, leaving $14,240,000 authorized but unissued. The reason for the disparity between the original authorization and the actual issuance is related to:

- delay in issuance of second and third series, so that more funding was received from special tax rather than bonds;
- lower actual interest rates on the bonds compared to rates used to generate the bonding required for the original $67 million authorization;
- purchasing surety bonds in lieu of funding debt service reserve funds with bond proceeds (approximately $2.7 million between the 3 series - which we couldn't rely on for the authorization); and

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Tel: 714.939.1464

- original issue premiums on the bonds resulting in lower par amounts required (approximately $2.8 million between the 3 series - which we couldn't rely on for the authorization).

Lower debt service as a consequence of the first two items listed above result in extra surplus special tax after paying debt service. There will be about $1.3 million in special tax available each year through 2045-46. Under your voter approval, this can be spent on "Facilities":

> "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 Mello-Roos Act further limits the funds to expenditure on capital items with a useful life of at least 5 years. The Special taxes cannot be used for maintenance or operating costs.

Based on today's interest rates, if you issued bonds against the surplus special tax (leaving a coverage factor of 10%), the Authority could raise approximately $11 million and effectively use up the remaining bonding capacity, leaving annual surplus of $440,000.

In order to access the funds (whether bond proceeds or surplus taxes), the Members would have to increase the total allocation. As shown above, currently the total allocation is $77,500,000. To capture all the available special tax over the next 21 years, the allocation should be increased by $28,000,000.

One additional item of note – the fiscal agent agreement currently provides for issuance of additional bonds with debt service up to the 110% required coverage ratio. After the 3rd issuance, coverage is expected to be 135%. This ability to issue additional bonds has held the bond rating to A+ in the past. If you eliminate the ability to issue additional bonds as part of this 3rd series, I expect that the rating will increase to the "AA" category.

In the "AA" category, you do not necessarily need to purchase bond insurance. At this time, that is not a significant cost savings by eliminating bond insurance ($92,000) and, because of recent property destruction due to fires throughout the state, bond insurance may actually be of benefit to you on the competitive sale of the 3rd series of bonds. So although you may not ever issue additional bonds, and may just distribute the special tax surplus each year, I don't see a reason to eliminate the additional bonds test as a part of this third series, and I recommend purchasing bond insurance at this time.

Please let me know if you have any questions or need additional information.

SANTA CRUZ PUBLIC LIBRARIES

# STAFF REPORT

AGENDA: February 6, 2025

TO: Libraries Facilities Financing Authority Board

FROM: Edith Driscoll, Treasurer

RE: Approval of Special Tax Bonds for Phase 3 Funding of Library Facilities

## RECOMMENDATION

Adopt Resolution authorizing the issuance of the Authority's Community Facilities District No. 2016-1 2025 Special Tax Parity Bonds in a principal amount not to exceed $14,000,000 and approving certain documents and taking certain other actions in connection therewith.

## DISCUSSION

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD), was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17. The taxes may be levied for a total of 30 years. Harrell & Company Advisors (the LFFA Municipal Advisor) developed a funding template that provided for a combination of tax revenue and special tax bond proceeds sufficient to meet the Library Facilities construction financing needs of each member over time, while raising the bond proceeds as cost efficiently as possible.

Each member receives their share of annual net special tax revenues as a funding source after the allocation of a prorata share of debt service relative to the bond proceeds that were raised for each member. The first series of special tax bonds was issued in 2017 and raised $21.6 million. The second series of special tax bonds was issued in 2020 and raised $19.1 million. In addition to bond proceeds, the members have received available special taxes. Through January 2025, the balance funded is as follows:

| Member | Bond Proceeds | Special Taxes to Date | Balance to be Funded | Total Allocation |
|---|---|---|---|---|
| County of Santa Cruz | $28,497,788 | $ 4,002,212 | $ - | $32,500,000 |
| City of Scotts Valley | 2,606,275 | 968,261 | 175,464 | 3,750,000 |
| City of Capitola | 9,358,148 | 641,852 | - | 10,000,000 |
| City of Santa Cruz | 500,449 | 17,859,320 | 12,890,231 | 31,250,000 |
| Total | $40,962,660 | $ 23,471,645 | $ 13,065,695 | $77,500,000 |

The City of Santa Cruz is ready to receive the funding from the third series of bonds in March 2025 as part of the funding for the City's downtown library mixed use project.

In order to raise $12.9 million for Improvements, it is estimated that the District will need issue approximately $13 million of Bonds. Based on current market conditions, the par amount of the Bonds is estimated to be $12,810,000, issued with an original issue premium of $490,000, and will provide total funding of $13,300,000. The proceeds from the Bonds are estimated to be used as follows:

| | |
|---|---:|
| Improvements | $12,890,000 |
| Bond Insurance Premium | 93,000 |
| Surety Bond Premium | 12,000 |
| Underwriter Discount | 130,000 |
| Costs of Issuance * | 175,000 |
| Total Costs | $13,300,000 |
| Original Issue Premium | (490,000) |
| Par Amount of Bonds Issued | $12,810,000 |

* Fees and expenses for professional services required for issuance of the bonds.

An original issue premium (as shown in the table above) is generated when investors want to hedge against rising interest rates and require a high stated interest rate (such as 5.0%), but price the Bonds to yield a lower current market interest rate (such as 3.0%) and therefore pay the Authority more than 100% of the face value of the Bonds, resulting in a lower par amount of Bonds required to be issued. The lower par amount is offset by a higher interest rate, so this pricing method has relatively little impact on the total debt service that the District will pay on the Bonds compared to if they were priced at 100% of the face value.

The par amount of the Bonds will be subject to prevailing market conditions at the time of sale. Therefore the Authority is requested to approve a not-to-exceed par amount of $14 million to provide a reasonable cushion above the expected par amount should interest rates fluctuate or if the Bonds are priced without an original issue premium based on investor preference at the time of sale. The amount of the Bonds issued will only be the amount necessary to finance the $12.89 million of Improvements and pay the costs as shown above.

Staff and the financial advisor have submitted the bond issue to Standard & Poor's Rating Agency for a credit rating and to various bond insurance companies to insure the payment of the Bonds. Both of these actions will minimize the cost of the financing. The debt service reserve fund will be funded with a surety bond in lieu of a cash deposit, so the CFD can borrow less than it otherwise would if a surety bond is purchased. A surety bond is a separate insurance policy issued by bond insurers.

The Board acts as the governing body of the CFD. The Board has been presented with a resolution to authorize issuance of the third series of Special Tax Bonds. The resolution approves the following documents:

- Second Supplement to Fiscal Agent Agreement between the Authority (on behalf of the CFD) and the Bank of New York Mellon Trust Company, N.A, acting as fiscal agent for the Bonds,
- Official Notice of Sale for the competitive sale of the Bonds, and
- Preliminary Official Statement for the Bonds

The resolution also authorizes the distribution of the Preliminary Official Statement to potential bidders, publication of a notice of intention to sell bonds in the Bond Buyer newspaper, and authorizes the Treasurer-Controller and Executive Director to execute documents in connection with the issuance of the Bonds within certain parameters. These parameters include a not-to-exceed principal amount of the Bonds of $14,000,000, and the true interest cost of the Bonds cannot exceed 5.0%.

The professional services for the Bonds, such as the Municipal Advisor, Special Tax Consultant, Disclosure Counsel and Bond Counsel, were previously approved by the Board.

The Bonds will be offered for sale during the week of February 17 and the bond proceeds should be available by March 12. Currently, the expected effective interest rate (including all costs of issuance) is 4.30% for the 22 year financing based on an underlying credit rating of A+ with bond insurance. The final interest rate will not be established until the Bonds are sold later in February. The sale of the Bonds will be awarded to the bidder providing the lowest interest cost.

Attachments:

Resolution
Preliminary Official Statement
Second Supplemental Fiscal Agent Agreement
Official Notice of Sale

# RESOLUTION NO. 2025-001

# RESOLUTION AUTHORIZING THE ISSUANCE OF THE AUTHORITY'S 2025 SPECIAL TAX PARITY BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED $14,000,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

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

**WHEREAS**, this Board (the "Board") of the Santa Cruz Libraries Facilities Financing Authority (the "Authority") has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the Authority's Community Facilities District No. 2016-1 (the "District") under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

**WHEREAS**, pursuant to resolutions adopted by the Board, as legislative body of the District, the special tax and bond propositions were submitted to the qualified electors within the District, and were approved by more than two-thirds of the qualified electors, being the registered voters within the District, at an election held on June 7, 2016, as a result of which, the District is authorized to issue bonds in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed $67,000,000; and

**WHEREAS**, under the Act, on June 15, 2017, the Authority issued the first series of bonds under this authorization captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds (the "2017 Bonds"), in the original principal amount of $21,170,000, under a Fiscal Agent Agreement dated as of June 1, 2017 (the "Original Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"); and

**WHEREAS**, under the Act, on March 12, 2020, the Authority issued the second series of bonds under this authorization captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds" (the "2020 Bonds"), in the original principal amount of $18,590,000, under a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020, between the Authority and the Fiscal Agent; and

**WHEREAS**, the Board, as legislative body of the District, has determined to issue a third series of bonds under the voter-approved authorization captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2025 Special Tax Parity Bonds" (the "2025 Bonds") under a Second Supplemental Fiscal Agent Agreement (the "Second Supplemental Agreement") between the Authority and the Fiscal Agent; and

**WHEREAS,** and in accordance with Section 53360 of the Act, the Board has determined that the 2025 Bonds shall be sold through a public sale in accordance with the terms of the Official Notice of Sale approved as to form by this Board herein; and

**WHEREAS,** in accordance with Government Code Section 5852.1, the Board has obtained and wishes to disclose the information set forth in Appendix A hereto; and

**WHEREAS**, the Board wishes at this time to authorize all proceedings relating to the issuance of the 2025 Bonds, and to approve the execution and delivery of agreements and documents relating thereto;

**NOW, THEREFORE, IT IS ORDERED,** by the Board of the Santa Cruz Libraries Facilities Financing Authority, for and on behalf of its Community Facilities District No. 2016-1, as follows:

**1. Recitals**. Each of the above recitals is true and correct and is adopted by the Board of the Authority as the legislative body of the District.

**2. Issuance of Bonds; Fiscal Agent Agreement**. The issuance of the 2025 Bonds in a principal amount not to exceed $14,000,000, is hereby authorized. The Board hereby determines that it is prudent in the management of its fiscal affairs to issue the 2025 Bonds. The 2025 Bonds shall mature on the dates and pay interest at the rates, and otherwise shall be governed by the terms and conditions set forth in the Original Agreement, as supplemented by the Second Supplemental Agreement, the form of which is on file with the Secretary, and which is hereby approved. The Second Supplemental Agreement shall be executed by the Chair of the Board, the Treasurer-Controller or the Executive Director (each an "Authorized Officer"), and attested by the Secretary, with such additions thereto and changes therein as the Authorized Officer executing the same deem necessary to enhance the security for the Bonds, to cure any ambiguity or defect therein if such addition or change does not materially alter the substance or content thereof, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof, or to conform any provisions therein to the final Official Statement approved under Section 6 below. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Second Supplemental Agreement by an Authorized Officer. Capitalized terms used in this Resolution and not defined herein have the meanings assigned to them in the Original Agreement and the Second Supplemental Agreement.

**3. Execution of 2025 Bonds**. The 2025 Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Treasurer-Controller of the Authority, and attested by the manual or facsimile signature of the Secretary.

**4. Covenants**. The covenants set forth in the Second Supplemental Agreement to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the Board, in its capacity as the legislative body of the District, and shall be complied with by the Authority and its officers. The Second Supplemental Agreement shall constitute a contract between the Authority and the owners of the 2025 Bonds. The Original Agreement, as supplemented by the Second Supplemental Agreement, is hereby ratified and confirmed and shall continue in full force and effect in accordance with its terms and provisions.

**5. Sale of 2025 Bonds**. In accordance with Section 53360 of the Act, the Board hereby authorizes the sale of the 2025 Bonds through generally accepted electronic means to the highest bidder, after advertising for bids by publication of notice of sale pursuant to Government Code Section 53692; provided, however, that if no bids are received or if the Board determines that the bids received are not satisfactory as to price or responsibility of the bidders, the Board may reject all bids received, if any, and either readvertise or sell the bonds through a negotiated sale. The 2025 Bonds shall be offered at competitive sale in accordance with the Official Notice of Sale (the "Official Notice of Sale") in substantially the form on file with the Secretary together with any additions thereto or changes therein approved by an Authorized Officer, the distribution thereof to be conclusive evidence of such approval. The Board hereby delegates to the

Authorized Officers the authority to accept an offer from an underwriter to purchase the 2025 Bonds from the Authority pursuant to the Notice of Sale; provided, however, that 2025 Bonds shall be awarded to an underwriter only if the principal amount of the 2025 Bonds does not to exceed $14,000,000, and the true interest cost with respect to the Bonds does not exceed 5.00%. Each Authorized Officer is authorized to determine the day on which the 2025 Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms of the sale if determined not to be in the best interest of the Authority.

**6. Official Statement**. The Board hereby approves the Preliminary Official Statement describing the 2025 Bonds in substantially the form presented at this meeting, with such additions and such changes therein as an Authorized Officer may approve. The Board hereby approves and authorizes the distribution of the Preliminary Official Statement to prospective purchasers of the 2025 Bonds; and, prior to the distribution of the Preliminary Official Statement, any Authorized Officer is authorized and directed, on behalf of the Authority, to deem the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by an Authorized Officer upon consultation with Disclosure Counsel, and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the 2025 Bonds, and any Authorized Officer is authorized and directed to execute the final Official Statement for and on behalf of the Authority and to deliver to the underwriter of the 2025 Bonds a certificate with respect to the information set forth therein.

**7. Property Valuation**. In accordance with the requirements of Section 53345.8 of the Act, the Board hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the 2025 Bonds is at least three times the principal amount of the 2017 Bonds, the 2020 Bonds, the 2025 Bonds and the principal amount of any other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District. This determination is based on the County Assessor's most recently equalized property tax roll.

**8. Goals and Policies**. In accordance with the requirements of the Authority's Local Goals and Policies for Community Facilities Districts (the "Goals and Policies"), the Board hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the 2025 Bonds is at least four times the principal amount of the 2017 Bonds, the 2020 Bonds, the 2025 Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District. This determination is based on the County Assessor's most recently equalized property tax roll. The Authority hereby finds that the issuance of the 2025 Bonds complies with the Goals and Policies.

**9. Further Actions**. The Authorized Officers and the other officers and staff of the Authority are hereby authorized and directed to take any actions and execute and deliver any and all documents (including a Continuing Disclosure Certificate) as are necessary to accomplish the issuance, sale and delivery of the 2025 Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the 2025 Bonds as described in the Fiscal Agent Agreement, including any documents in connection with obtaining credit ratings, municipal bond insurance and a reserve policy for the Bonds, and providing certificates to the Underwriter as to the accuracy of any information relating to the Authority and the District which is included within the Official Statement of the Authority. If any Authorized Officer is unavailable to sign any document authorized for execution herein, any deputy or written designee may sign such document. Any document authorized herein to be signed by the Secretary may be signed by a duly appointed deputy secretary.

**10.** **Effective Date**. This Resolution shall take effect upon its adoption.

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

AYES:
NOES:
ABSENT:
ABSTAINING:

the foregoing resolution is hereby adopted on _______________, 2025.

Board Chair

ATTEST:

Secretary

## APPENDIX A
## Government Code Section 5852.1 Disclosure

The good faith estimates set forth herein are provided with respect to the 2025 Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by Harrell & Company Advisors (the "Municipal Advisor").

> ***Principal Amount***. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is $12,810,000 (the "Estimated Principal Amounts").
>
> ***True Interest Cost of the Bonds***. The Municipal Advisor has informed the Authority that, assuming that the respective Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 4.14%.
>
> ***Finance Charge of the Bonds***. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds, including bond insurance premiums), is $407,000.
>
> ***Amount of Proceeds to be Received***. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, including original issue premium, less the finance charge of the Bonds, as estimated above, paid or funded with proceeds of the Bonds, is $12,890,000.
>
> ***Total Payment Amount***. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amounts of the Bonds are sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds as described above, not paid with the respective proceeds of the Bonds, calculated to the final maturity of the Bonds, together with the sum of annual ongoing costs to administer the Bonds not paid with proceeds of the Bonds (such as trustee fees), is $20,420,000.

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on January 16, 2025. The actual principal amounts of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates. Market interest rates are affected by economic and other factors beyond the control of the Authority.

**NEW ISSUE - BOOK-ENTRY ONLY**

**RATINGS:**
**INSURED RATING: S&P: "__"**
**UNDERLYING RATING: S&P: "__"**
(See "CONCLUDING INFORMATION - Ratings on the 2025 Bonds" herein)

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2025 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2025 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

# $13,000,000*
# SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
# COMMUNITY FACILITIES DISTRICT NO. 2016-1
# 2025 SPECIAL TAX PARITY BONDS

**Dated: Date of Issuance** **Due: September 1, as shown on inside cover page**

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2025 Special Tax Parity Bonds, (the "2025 Bonds") are being issued by the Santa Cruz Libraries Facilities Financing Authority (the "Authority") for and on behalf of the Community Facilities District No. 2016-1 (the "District") to (1) construct and/or improve library facilities located within the District, (2) purchase a municipal bond debt service reserve insurance policy for the 2025 Bonds, and (3) pay costs of issuing the 2025 Bonds, including the premium for a municipal bond insurance policy.

The 2025 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code), and pursuant to a Fiscal Agent Agreement dated as of June 1, 2017 as amended and supplemented by a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 and a Second Supplemental Fiscal Agent Agreement dated as of March 1, 2025 (as amended and supplemented, the "Fiscal Agent Agreement"), each between the Authority, on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The 2025 Bonds are special obligations of the Authority and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on taxable land within the District (less certain administrative expenses) and from certain other funds pledged under the Fiscal Agent Agreement on a parity with outstanding special tax bonds issued for the District, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment of special taxes approved by the Authority and the qualified electors within the District. See "SECURITY FOR THE BONDS - Special Taxes." The Board of the Authority is the legislative body of the District.

Interest on the 2025 Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2025. Initial purchases of beneficial interests in the 2025 Bonds will be made in book-entry form and the 2025 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Bond denominations are $5,000 and any integral multiple in excess thereof. Purchasers of beneficial interests in the 2025 Bonds will not receive certificates representing their interests in the 2025 Bonds and will not be paid directly by the Fiscal Agent. See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

**The 2025 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity, as described herein. See "THE 2025 BONDS - Redemption of 2025 Bonds" herein.**

Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California or any political subdivision thereof is pledged to the payment of the 2025 Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the 2025 Bonds. The 2025 Bonds are special tax obligations of the Authority for the District payable solely from Net Special Taxes and certain amounts held under the Fiscal Agent Agreement as more fully described herein. The Authority has no taxing power.

The scheduled payment of principal of and interest on the 2025 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2025 Bonds by ____________. See "MUNICIPAL BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**Certain events could affect the ability of the Authority to pay the principal of and interest on the 2025 Bonds when due. The purchase of the 2025 Bonds involves significant risks, and the 2025 Bonds are not suitable investments for all investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2025 Bonds.**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information that is essential to an informed investment decision.

The 2025 Bonds are being offered when, as and if issued by the Authority on behalf of the District, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Authority by the Santa Cruz County Counsel, as General Counsel to the Authority and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. Delivery of the 2025 Bonds through the facilities of The Depository Trust Company is expected to occur on or about March 12, 2025.

*The date of the Official Statement is ______ 2025.*

* Preliminary, subject to change

# $13,000,000*
# SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
# COMMUNITY FACILITIES DISTRICT NO. 2016-1
# 2025 SPECIAL TAX PARITY BONDS

**MATURITY SCHEDULE**

**(Base CUSIP†: 80175L)**

| Maturity Date (September 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP®† |
|---|---|---|---|---|---|

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. Copyright (c) 2025 CUSIP Global Services. All rights reserved. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Municipal Advisor and are included solely for the convenience of the holders of the 2025 Bonds. None of the Authority, the Municipal Advisor, or their agents or counsel is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2025 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2025 Bonds.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

*Investment in the 2025 Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand (either alone or with competent investment advice) those risks should consider such an investment.*

Except where otherwise indicated, all information contained in this Official Statement has been provided and deemed final by the Authority. No dealer, broker, salesperson or other person has been authorized by the Authority or the Municipal Advisor to give any information or to make any representations in connection with the offer or sale of the 2025 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2025 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2025 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith. While the Santa Cruz Public Library maintains an internet website with certain information about the Authority, as well as certain social media accounts for various purposes, none of the information on that website or those accounts is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2025 Bonds or any other bonds or obligations of the Authority. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Authority is obligated to provide continuing disclosure for certain historical information only. See the caption "CONCLUDING INFORMATION - Continuing Disclosure" herein.

IN CONNECTION WITH THE OFFERING OF THE 2025 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2025 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2025 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**SANTA CRUZ, CALIFORNIA**

**Board**
Jamie Goldstein, Chair, City of Capitola
Matt Huffaker, Vice Chair, City of Santa Cruz
Mali LaGoe, Member, City of Scotts Valley
Carlos Palacios, Member, County of Santa Cruz

**Authority Staff**
Christopher Platt, Executive Director
Edith Driscoll, Treasurer-Controller

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Santa Cruz County Counsel
Santa Cruz, California

**Municipal Advisor**
Harrell & Company Advisors, LLC
Tustin, California

**Special Tax Consultant**
NBS Government Finance Group
Temecula, California

**Fiscal Agent**
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

# TABLE OF CONTENTS


**INTRODUCTION ........................................................ 1**
General ........................................................ 1
Application of Proceeds ........................................................ 1
The Authority ........................................................ 2
The District ........................................................ 2
Parity Bonds ........................................................ 3
Security for the Bonds ........................................................ 3
Municipal Bond Insurance and Reserve Account Surety Policy ........................................................ 4
Limited Liability ........................................................ 4
Legal Matters ........................................................ 4
Offering of the 2025 Bonds ........................................................ 4
Summaries Not Definitive ........................................................ 5

**SOURCES AND USES OF FUNDS ........................................................ 5**

**THE 2025 BONDS ........................................................ 6**
Authority for Issuance ........................................................ 6
Description of the 2025 Bonds ........................................................ 6
Redemption of 2025 Bonds ........................................................ 6
Selection of 2025 Bonds for Redemption ........................................................ 7
Notice of Redemption ........................................................ 7
Effect of Redemption ........................................................ 8
Scheduled Debt Service ........................................................ 9

**SECURITY FOR THE BONDS ........................................................ 11**
Pledge of Net Special Taxes; Limited Obligations .. 11
Special Taxes ........................................................ 11
Parity Bonds ........................................................ 14
2025 Reserve Account ........................................................ 14
Teeter Plan; Foreclosure Proceedings ........................................................ 15

**MUNICIPAL BOND INSURANCE ........................................................ 16**

**THE DISTRICT ........................................................ 17**
General ........................................................ 17
Authorization ........................................................ 17
Rate and Method of Apportionment ........................................................ 17
Description of Authorized Facilities ........................................................ 17
Development Summary and Special Taxes ........................................................ 18
Teeter Plan ........................................................ 21
Estimated Direct and Overlapping Debt ........................................................ 22
Estimated Tax Rate ........................................................ 24
Property Assessed Values ........................................................ 25
Top Taxpayers ........................................................ 26
Estimated Total Valuation of Developed Taxable Property Within the District ........................................................ 27

**SPECIAL RISK FACTORS ........................................................ 28**
Risks of Real Estate Secured Investments Generally ........................................................ 28
Limited Obligation to Pay Debt Service ........................................................ 28
Levy and Collection of the Special Taxes ........................................................ 29
Payment of Special Taxes is not a Personal Obligation of the Property Owners ........................................................ 29
Assessed Valuations ........................................................ 29
Property Values ........................................................ 30
Natural Disasters ........................................................ 30
Hazardous Substances ........................................................ 32
Other Factors ........................................................ 32
Parity Taxes and Special Assessments ........................................................ 33
Exemptions Under Rate and Method and the Mello-Roos Act ........................................................ 33
Depletion of 2025 Reserve Account ........................................................ 33
Disclosures to Future Purchasers ........................................................ 34
No Acceleration ........................................................ 34
Loss of Tax Exemption ........................................................ 34
Cybersecurity ........................................................ 35
Proposition 218 ........................................................ 35
Ballot Initiatives ........................................................ 36
Limitations on Remedies ........................................................ 36
Risks Associated with the Policy and 2025 Reserve Policy ........................................................ 36
Limited Secondary Market ........................................................ 37

**TAX MATTERS ........................................................ 37**

**CONTINUING DISCLOSURE ........................................................ 39**

**LEGAL MATTERS ........................................................ 39**
Absence of Litigation ........................................................ 39
Approval of Legal Proceedings ........................................................ 39

**CONCLUDING INFORMATION ........................................................ 40**
Ratings on the 2025 Bonds ........................................................ 40
Underwriting ........................................................ 40
The Municipal Advisor ........................................................ 40
Miscellaneous ........................................................ 40
Execution ........................................................ 41

**APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT**

**APPENDIX B - PROPOSED FORM OF OPINION OF BOND COUNSEL**

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

**APPENDIX D - ECONOMIC PROFILE FOR THE COUNTY OF SANTA CRUZ**

**APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM**

**APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

# OFFICIAL STATEMENT

**$13,000,000***

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**
**2025 SPECIAL TAX PARITY BONDS**

This Official Statement which includes the cover page, the inside front cover page and appendices (the "Official Statement"), is provided to furnish certain information concerning the sale of the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2025 Special Tax Parity Bonds (the "2025 Bonds"), in the aggregate principal amount of $13,000,000*.

# INTRODUCTION

*This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2025 Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "SPECIAL RISK FACTORS" herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2025 Bonds, see the summary included in "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT" herein.*

## General

The 2025 Bonds are being issued by the Authority, on behalf of the District, under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the "Act"), and a Fiscal Agent Agreement dated as of June 1, 2017 as amended and supplemented by a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 a as amended and supplemented by a Second Supplemental Fiscal Agent Agreement dated as of March 1, 2025 (as amended and supplemented, the "Fiscal Agent Agreement"), each between the Authority, on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent (the "Fiscal Agent").

The District was established by the Board of the Authority (the "Board"), acting as legislative body of the District, pursuant to proceedings under the Act on February 11, 2016. See "THE DISTRICT - Authorization" herein. The 2025 Bonds were authorized to be issued by a resolution adopted by the Board on February 6, 2025 (the "Resolution of Issuance"). The 2025 Bonds are being issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement. See "THE 2025 BONDS - Authority for Issuance."

## Application of Proceeds

The net proceeds of the 2025 Bonds will be used to (1) construct or improve library facilities located within the District, (2) purchase a municipal bond debt service reserve fund insurance policy for the 2025 Bonds, and (3) pay costs of issuing the 2025 Bonds, including the premium for a municipal bond insurance policy. See "SOURCES AND USES OF 2025 BOND PROCEEDS" herein.

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* Preliminary, subject to change.

## The Authority

The Authority was formed in December 2014 pursuant to a Joint Exercise of Powers Agreement (the "JPA Agreement"). The parties to the JPA Agreement (referred to herein as the "Members") consist of representatives from the County of Santa Cruz (the "County"), and the cities of Capitola, Santa Cruz and Scotts Valley. The Authority is governed by a four-member Board comprised of the County Administrative Officer and the City Manager of each City. The JPA Agreement was amended and restated on February 28, 2017 and further amended on September 25, 2018.

## The District

The District encompasses the cities of Capitola, Santa Cruz and Scotts Valley and the unincorporated areas of the County. This represents all of the land within the County, with the exception of the approximate 6.2 square miles located in the City of Watsonville in the southwestern area of the County. The property in the District currently contains over 69,000 County Assessor's parcels subject to the Special Tax (defined below), of which 77% are developed with single family residential units and another 18% are developed with multifamily residential units, with the remaining 5% of parcels being either agricultural, commercial, recreational or mixed use. See "THE DISTRICT - General" herein.

The District has been formed by the Board pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the "State"). Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness. The Board acts as the legislative body of the District.

*Formation Proceedings.*

Pursuant to the Act, in December 2015, the Board adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of special taxes on taxable property within the boundaries of the District, and to incur bonded indebtedness within the District. See "THE DISTRICT - Authorization." The Bonds are secured by a pledge of and are payable solely from Net Special Taxes (as defined herein) levied on Developed Property within the District. In February 2016, following public hearings conducted pursuant to the provisions of the Act, the Board adopted resolutions establishing the District and calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters residing within the District. On June 7, 2016, at an election held pursuant to the Act, the registered voters of the District, by more than a two-thirds vote, authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed $67,000,000 to be secured by the levy of Special Taxes on taxable property within the District. At that same election, the registered voters within the District approved the rate and method of apportionment of the Special Taxes for the District (the "Rate and Method").

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## Parity Bonds

In 2017, the Authority, on behalf of the District, issued the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2017 Special Tax Bonds (the "2017 Bonds") in the original aggregate principal amount of $21,170,000, of which $18,005,000 principal amount is currently outstanding. In 2020, the Authority, on behalf of the District, issued the Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1 2020 Special Tax Parity Bonds (the "2020 Bonds") in the original aggregate principal amount of $18,590,000, of which $16,740,000 principal amount is currently outstanding.

The 2025 Bonds are payable from Net Special Taxes (as defined below) on a parity with the 2017 Bonds and the 2020 Bonds. See the caption "SECURITY FOR THE BONDS - Parity Bonds" for a discussion of the conditions under which the Authority, on behalf of the District, may issue additional bonds that are payable on a parity ("Parity Bonds") with the 2017 Bonds, the 2020 Bonds and the 2025 Bonds. The 2025 Bonds together with the 2017 Bonds, the 2020 Bonds and any future Parity Bonds are referred to herein as the "Bonds."

Following the issuance of the 2025 Bonds, the District will have a remaining unused bonding authorization of $14,240,000*.

## Security for the Bonds

The Authority has pledged to repay the Bonds from Net Special Taxes and certain funds pledged therefor pursuant to the Fiscal Agent Agreement. "Net Special Taxes" means the proceeds of the Special Taxes (as defined below) received by the Authority, including any scheduled payments and any prepayments thereof, after the "Administrative Expense Requirement" (as defined herein) is funded in each year. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1" and "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT." In the event that the Special Taxes are no longer included in the County's Teeter Plan, Net Special Taxes would also include collections of any delinquent Special Taxes and proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. See "SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings."

"Special Taxes" is used in this Official Statement to mean the special taxes levied pursuant to the Act, the Ordinance Levying Special Taxes, the Rate and Method and the Fiscal Agent Agreement on parcels of Developed Property within the District (that is, taxable property for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use and which are not vacant, including agricultural property used for farming even if there is no structure on the property). See "SECURITY FOR THE BONDS - Special Taxes." Under the Fiscal Agent Agreement, the Authority has agreed to levy the Special Tax, and to repay the Bonds from the Net Special Taxes and from certain amounts on deposit in the Special Tax Fund and the Bond Fund established under the Fiscal Agent Agreement. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT."

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* Preliminary, subject to change.

## Municipal Bond Insurance and Reserve Account Surety Policy

Concurrently with the issuance of the 2025 Bonds, ____________ (the "Insurer") will issue its Municipal Bond Insurance Policy (the "Policy") for the 2025 Bonds. See "MUNICIPAL BOND INSURANCE" herein. The Policy guarantees the scheduled payment of principal of and interest on the 2025 Bonds when due as set forth in the form of the Policy included as "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

In order to further secure the payment of the principal of and interest on the 2025 Bonds, an account within the Reserve Fund has been established for the 2025 Bonds (the "2025 Reserve Account"). The 2025 Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (the "2025 Reserve Policy") issued by the Insurer in an amount equal to the 2025 Reserve Requirement as defined in the Fiscal Agent Agreement. The 2025 Reserve Policy secures only the 2025 Bonds and does not secure the 2017 Bonds or the 2020 Bonds. See "SECURITY FOR THE 2025 BONDS - Reserve Account - Reserve Policy."

## Limited Liability

Although the unpaid Special Taxes constitute a lien on the Developed Property within the District, they do not constitute a personal indebtedness of any landowner within the District, or any future property owner of Developed Property in the District. There is no assurance that the current owners of the Developed Property within the District, or any future property owners of Developed Property within the District, will be financially able to pay the Special Taxes or that they will pay the Special Taxes even though financially able to do so.

The Bonds are payable solely from the proceeds of the Net Special Taxes levied annually on the Developed Property within the District and received by the Authority and amounts in certain funds established under the Fiscal Agent Agreement. Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California, or any political subdivision thereof (other than of the District, to the limited extent set forth in the Fiscal Agent Agreement) is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any of the property or revenues of the Authority, and the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is not a general debt, liability or obligation of the Authority or the District. The Authority has no taxing power.

## Legal Matters

The legal proceedings relating to the issuance, sale and delivery of the 2025 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the 2025 Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading "TAX MATTERS" herein. Certain legal matters will be passed on for the Authority by the Santa Cruz County Counsel, Santa Cruz, California, in its capacity as General Counsel to the Authority, and by Best Best & Krieger LLP, Riverside, California, Disclosure Counsel.

## Offering of the 2025 Bonds

The 2025 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the 2025 Bonds, in book-entry form, will be available for delivery on or about March 12, 2025 through the facilities of The Depository Trust Company ("DTC"). See "APPENDIX F - DTC AND THE BOOK-ENTRY SYSTEM."

## Summaries Not Definitive

Brief descriptions of the 2025 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, the security for the 2025 Bonds, the Authority, the District, the Developed Property in the District and certain other documents and information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. Any references to documents herein are qualified by reference to the complete text thereof. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given them in the Fiscal Agent Agreement, some of which are set forth in "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT." Copies of documents referenced herein may be obtained upon written request and payment of the cost of mailing and duplication from the Authority Treasurer-Controller at the County Government Center, 701 Ocean Street, Santa Cruz, California 95060.

# SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2025 Bonds are as follows:

**Sources of Funds**
Principal Amount of 2025 Bonds
Plus Net Original Issue Premium
Less Underwriter's Discount
Total Net Proceeds

**Uses of Funds** (1)
Costs of Issuance (2)
Improvement Fund – Santa Cruz Subaccount (3)
Total

---

(1) The Fiscal Agent will deposit the 2025 Reserve Policy in the 2025 Account of the Reserve Fund. See "SECURITY FOR THE BONDS - 2025 Reserve Account."

(2) To be used to pay costs of issuance of the 2025 Bonds, including Bond Counsel fees, Disclosure Counsel fees, initial Fiscal Agent fees, Municipal Advisor's fees, rating fees, 2025 Insurance Policy and 2025 Reserve Policy premiums, Official Statement printing and other costs of issuance.

(3) See "THE DISTRICT - Description of Authorized Facilities."

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# THE 2025 BONDS

## Authority for Issuance

The District was established and bonded indebtedness of the District in an amount not to exceed $67,000,000 was authorized pursuant to the provisions of the Act. The 2025 Bonds will be issued pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement.

## Description of the 2025 Bonds

The 2025 Bonds are dated their date of delivery (the "Closing Date") and will mature in the amounts and in the years, and bear interest at the rates set forth on the inside cover page of this Official Statement. The 2025 Bonds will be issued in fully registered form without coupons in denominations of $5,000 or any integral multiple in excess thereof.

Interest on the 2025 Bonds will be payable semiannually on September 1 and March 1 of each year, commencing September 1, 2025 (each, an "Interest Payment Date") and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2025 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month next preceding such Interest Payment Date (each a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2025 Bond, interest is in default thereon, such 2025 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Principal of the 2025 Bonds is payable by check in lawful money of the United States of America upon surrender of the 2025 Bonds at the Principal Office of the Fiscal Agent, or by wire transfer to DTC so long as the 2025 Bonds are in book-entry form as described below.

**Payments of Principal and Interest; Book-Entry System.** The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the 2025 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC's book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the 2025 Bonds (see "APPENDIX F – DTC AND THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the 2025 Bonds and DTC's book-entry method is used for the 2025 Bonds, the Trustee will send any notices to Bond Owners only to DTC.

## Redemption of 2025 Bonds

*Optional Redemption.* The 2025 Bonds maturing on or after September 1, 2035 are subject to optional call and redemption prior to maturity, as a whole or in part among such maturities as are selected by the Authority and by lot within a maturity, on any date on or after September 1, 2034, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the 2025 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

*Mandatory Sinking Payment Redemption.* The 2025 Bonds maturing on September 1, _____ are Term Bonds subject to mandatory sinking payment redemption, in part, on September 1, _____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

**TERM BONDS MATURING SEPTEMBER 1, ____**

| Redemption Date (September 1) | Sinking Payment |
|---|---|
| | |
| (maturity) | |

The 2025 Bonds maturing on September 1, ____ are Term Bonds subject to mandatory sinking payment redemption, in part, on September 1, ____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

**TERM BONDS MATURING SEPTEMBER 1, _____**

| Redemption Date (September 1) | Sinking Payment |
|---|---|
| | |
| (maturity) | |

The amounts in the foregoing tables will be reduced pro rata as a result of any prior partial redemption of the 2025 Bonds pursuant to the optional redemption provisions described above, as specified in writing by the Treasurer-Controller of the Authority to the Fiscal Agent.

*Purchase of 2025 Bonds.* In lieu of any redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of a written direction of the Treasurer-Controller of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such written direction may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

## Selection of 2025 Bonds for Redemption

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2025 Bonds of a single maturity of the same issue, the Fiscal Agent shall select the 2025 Bonds of that maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. For purposes of such selection, the Fiscal Agent shall treat each 2025 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2025 Bond.

## Notice of Redemption

*Redemption Procedure by Fiscal Agent.* The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories, and to the respective registered Owners of any 2025 Bonds designated for redemption, at their addresses appearing on the Bond Register, and file electronically with the Information Service; but such mailing and filing shall not be a condition precedent to such redemption and failure to mail or file, as applicable, or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2025 Bonds.

Such notice shall (i) state the redemption date and the redemption price and, if less than all of the then Outstanding 2025 Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the 2025 Bonds to be redeemed by giving the individual CUSIP number and Bond number of each 2025 Bond to be redeemed or shall state that all 2025 Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the 2025 Bonds of one or more maturities have been called for redemption; (ii) state as to any 2025 Bond called in part the principal amount thereof to be redeemed; (iii) require that the 2025 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price or such other place of payment as may be designated in said notice; (iv) state that further interest on the 2025 Bonds will not accrue from and after the redemption date; and (v) for optional redemption state whether the Notice is conditioned on the availability of funds.

Upon the payment of the redemption price of 2025 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2025 Bonds being redeemed with the proceeds of such check or other transfer.

*Conditional Redemption Notice and Rescission of Redemption.* Any notice of optional redemption may specify that redemption of the 2025 Bonds designated for redemption on the specified date will be subject to the receipt by the Authority or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2025 Bonds, or any other party, as a result of the Authority's failure to redeem the 2025 Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Authority may rescind any optional redemption of the 2025 Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the 2025 Bonds so called for redemption. Notice of cancellation of redemption or rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any 2025 Bond of notice of such cancellation of redemption or rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation or rescission. Neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2025 Bonds, or any other party, as a result of the Authority's decision to rescind a redemption of any 2025 Bonds pursuant to the Fiscal Agent Agreement.

However, so long as the 2025 Bonds are registered in the name of Cede & Co., as nominee of DTC, all notices relating to redemption and rescission of redemption will be delivered to DTC. See "THE 2025 BONDS - Description of the 2025 Bonds - Payments of Principal and Interest; Book-Entry System."

## Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest on, the 2025 Bonds so called for redemption have been deposited in the Bond Fund, such 2025 Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

## Scheduled Debt Service

The table below sets forth the scheduled annual debt service payments on the 2025 Bonds, assuming no optional redemption of the 2025 Bonds, but including mandatory sinking payment redemptions.

| Year Ending (September 1) | Principal | Interest | Total |
|---|---|---|---|
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| **Total** | | | |

Aggregate annual debt service on the 2017 Bonds, 2020 Bonds and 2025 Bonds, assuming no optional redemption of the Bonds, but including mandatory sinking payment redemptions, is set forth in the following table.

| Bond Year Ending (September 1) | 2017 Bonds Debt Service | 2020 Bonds Debt Service | 2025 Bonds Debt Service | Total Debt Service |
|---|---|---|---|---|
| 2025 | 1,218,081.26 | 996,950.00 | | |
| 2026 | 1,219,331.26 | 1,000,950.00 | | |
| 2027 | 1,219,081.26 | 998,450.00 | | |
| 2028 | 1,217,331.26 | 999,700.00 | | |
| 2029 | 1,215,731.26 | 999,450.00 | | |
| 2030 | 1,218,131.26 | 997,700.00 | | |
| 2031 | 1,219,331.26 | 1,001,100.00 | | |
| 2032 | 1,216,831.26 | 1,000,250.00 | | |
| 2033 | 1,218,731.26 | 1,000,950.00 | | |
| 2034 | 1,214,881.26 | 1,001,350.00 | | |
| 2035 | 1,219,412.50 | 996,450.00 | | |
| 2036 | 1,218,006.26 | 1,000,406.26 | | |
| 2037 | 1,214,731.26 | 998,937.50 | | |
| 2038 | 1,219,525.00 | 1,001,162.50 | | |
| 2039 | 1,218,137.50 | 997,937.50 | | |
| 2040 | 1,215,737.50 | 999,375.00 | | |
| 2041 | 1,217,325.00 | 999,306.26 | | |
| 2042 | 1,216,450.00 | 998,762.50 | | |
| 2043 | 1,219,350.00 | 997,743.76 | | |
| 2044 | 1,215,850.00 | 996,250.00 | | |
| 2045 | 1,216,125.00 | 998,125.00 | | |
| 2046 | - | 999,375.00 | | |
| **Total** | $25,568,112.62 | 21,980,681.28 | | |

# SECURITY FOR THE BONDS

## Pledge of Net Special Taxes; Limited Obligations

The Bonds are special, limited obligations of the Authority for the District secured by a pledge of all of the Net Special Taxes and all moneys on deposit in the Special Tax Fund and the Bond Fund (including the investment earnings thereon). The 2017 Bonds are also secured by the 2017 Reserve Policy, the 2020 Bonds are also secured by the 2020 Reserve Policy and the 2025 Bonds are also secured by the 2025 Reserve Policy, all as defined herein.

The term "Net Special Taxes" as used in the Fiscal Agent Agreement, effectively means the proceeds of the Special Taxes received by the Authority, including any scheduled payments and prepayments thereof, after the Administrative Expense Requirement is funded to the Administrative Expense Fund in each year. "Net Special Taxes" does not include any penalties or costs of collecting delinquent Special Taxes collected in connection with delinquent Special Taxes. In the event that the Special Taxes are no longer included in the County's Teeter Plan, Net Special Taxes would also include collections of any delinquent Special Taxes and proceeds of the redemption or sale of property sold as a result of the foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon.

Amounts in the Administrative Expense Fund and the account within the Improvement Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the debt service on the Bonds. Any proceeds of condemnation or destruction of any facilities financed with the proceeds of the Bonds are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

In the event that the Net Special Taxes are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts if any, in the Special Tax Fund held by the Authority, amounts, if any, held by the Fiscal Agent in the Bond Fund under the Fiscal Agent Agreement, and with respect to the 2017 Bonds, amounts available under the 2017 Reserve Policy held in the 2017 Account of the Reserve Fund (the "2017 Reserve Account"), with respect to the 2020 Bonds, amounts available under the 2020 Reserve Policy held in the 2020 Account of the Reserve Fund (the "2020 Reserve Account") and with respect to the 2025 Bonds, amounts available under the 2025 Reserve Policy held in the 2025 Reserve Account. See "2025 Reserve Account."

**Neither the faith and credit of the Authority nor the faith and credit or the taxing power of the cities of Capitola, Santa Cruz or Scotts Valley, the County of Santa Cruz, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general obligations of the Authority nor general obligations of the District but are special obligations of the Authority for the District payable solely from Net Special Taxes and other amounts pledged therefor under the Fiscal Agent Agreement as more fully described herein.**

## Special Taxes

*Authorization and Pledge*. In accordance with the provisions of the Act, the Board established the District on February 11, 2016 to finance the construction and renovation of public library facilities located within the District. On June 7, 2016, at an election held pursuant to the Act, the registered voters of the District authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed $67,000,000 to be secured by the levy of Special Taxes on Developed Property within the District pursuant to the Rate and Method. Notices of Special Tax Lien were recorded in the Office of the Recorder of the County of Santa Cruz on August 18, 2016. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1" for the complete text of the Rate and Method.

The Bonds will be secured by a first pledge of all of the Net Special Taxes and all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Net Special Taxes and all moneys deposited into said funds (except as otherwise provided therein) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement.

In the Fiscal Agent Agreement, the Authority has agreed to effect the levy of the Special Taxes each fiscal year in accordance with the Ordinance by August 10 of each year that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the County Auditor-Controller-Treasurer-Tax Collector (the "County Auditor-Controller") will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the real property tax roll for the fiscal year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the Authority shall prepare or cause to be prepared, and shall transmit to the County Auditor-Controller, such data as the County Auditor-Controller requires to include the levy of the Special Taxes on the real property tax roll.

The Fiscal Agent Agreement provides that Authority shall fix and levy the amount of Special Taxes within the District required (a) for the payment of the principal of and interest on any outstanding Bonds becoming due and payable during the ensuing calendar year, (b) any necessary replenishment of outstanding draws on any Qualified Reserve Fund Credit Instrument on deposit in an account within the Reserve Fund (such as the 2017 Reserve Policy, the 2020 Reserve Policy or the 2025 Reserve Policy), or, in connection with any series of future Parity Bonds, an amount necessary to cause the amount on deposit in an account within the Reserve Fund established for such future Parity Bonds to the reserve requirement established for such future Parity Bonds, and (c) the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. Special Taxes may also be levied to pay directly for acquisition and construction of the Project. The Special Taxes so levied shall not exceed the authorized amounts for the District as provided in the proceedings for the formation of the District and in the Rate and Method. Such maximum amount may not be sufficient to fully replenish any draw on the 2017 Reserve Policy, any draw on the 2020 Reserve Policy, any draw on the 2025 Reserve Policy or any draw on a reserve fund established in connection with any future Parity Bonds (an otherwise to pay any Policy Costs related to any such reserve policy) in the event that the Special Taxes are no longer included in the County's Teeter Plan and there are delinquencies in the payment of Special Taxes levied on properties in the District. In addition, under the Act, no increase to the Special Taxes on any one parcel may exceed 10% to cover delinquencies caused by other parcels. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1."

*Priority Minimum Administrative Expenses*. "Administrative Expense Requirement" means, the first $100,000 of Special Taxes collected in Fiscal Year 2017-18 and escalating by 3% each Fiscal Year over the amount for the prior Fiscal Year, commencing with Fiscal Year 2018-19. Such amounts will be deposited in the Administrative Expense Fund.

*Prepayment of Special Taxes*. Under the Rate and Method, the Special Tax obligation for any parcel within the District may be prepaid in part, or in full and permanently satisfied, at any time. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1." Any voluntary prepayment of Special Taxes will not result in a redemption of 2017 Bonds, the 2020 Bonds or 2025 Bonds, but prepayment amounts (as that term is described in the Rate and Method) in excess of $40,000 for a single parcel may be used to redeem future Parity Bonds in accordance with the terms of any future Parity Bonds.

*Collection and Application of Special Taxes*. The Fiscal Agent Agreement provides that the Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings pursuant to the Fiscal Agent Agreement) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, an Authorized Officer may in his discretion cause the collection of any Special Taxes by direct, first class mail billing to the then owner of each parcel so owned in lieu of billing for such Special Taxes in the same manner as general taxes. The Special Taxes will be deposited in the Special Tax Fund established under the Fiscal Agent Agreement when received by the Authority. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT."

Under the Fiscal Agent Agreement, the Authority covenants not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative or referendum measure is proposed that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Authority covenants it shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds. See "SPECIAL RISK FACTORS - Voter Initiatives" herein.

Although the Special Tax will constitute a lien on the land within the District which is subject to taxation, it does not constitute a personal indebtedness of either of the current or any future property owners within the District. There is no assurance that the owners of Developed Property within the District will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of property owners within the District not paying the annual Special Tax is more fully described under the heading "SPECIAL RISK FACTORS - Levy and Collection of the Special Taxes - Factors that Could Lead to Special Tax Deficiencies" and "THE DISTRICT - Teeter Plan."

**Special Tax Fund.** The Authority will cause all Special Taxes received by it to be deposited in the Special Tax Fund established and held by the Authority. Moneys in the Special Tax Fund will be held in trust by the Authority for the benefit of the Authority and the Owners, will be disbursed as provided below and, pending disbursement, will be subject to a lien in favor of the Owners and the Authority.

From time to time as needed to pay the obligations of the Authority, but no later than three Business Day before each Interest Payment Date, the Authority will withdraw from the Special Tax Fund and transfer to the Fiscal Agent the following amounts for deposit by the Fiscal Agent in the funds listed below in the following order of priority:

(i) to the Administrative Expense Fund an amount, up to the Administrative Expense Requirement, that an Authorized Officer directs the Fiscal Agent in writing to deposit in the Administrative Expense Fund for payment of Administrative Expenses;

(ii) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, including any expected transfers from the Improvement Fund and the Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds for the then-current Bond Year;

(iii) to each account within the Reserve Fund, pro rata, an amount, if any, required to replenish outstanding draws on any Qualified Reserve Fund Credit Instrument on deposit therein, or, in connection with any series of future Parity Bonds, an amount necessary to cause the amount on deposit in the account within the Reserve Fund established for such Parity Bonds to the reserve requirement established for such Parity Bonds;

(iv) to the Administrative Expense Fund the amount of Administrative Expenses in excess of the amount previously transferred thereto pursuant to (i) above, as directed in writing by an Authorized Officer; and

(v) to the members of the Authority in accordance with the JPA Agreement (as defined herein).

The amounts transferred from time to time to the Fiscal Agent for deposit in the Administrative Expense Fund shall not exceed, in any Fiscal Year, the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses.

All amounts remaining in the Special Tax Fund on the 30th day of the succeeding Bond Year shall be retained in the Special Tax Fund and applied to the succeeding Bond Year's Annual Debt Service or be distributed to the members of the Authority pursuant to the JPA Agreement; provided however, that in no event shall such amounts be invested at a yield in excess of the yield on the Bonds. See "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT."

Special Tax Prepayments with respect to a single parcel of less than a $40,000 prepayment amount (as that term is described in the Rate and Method) will be deposited in the Special Tax Fund. Special Tax with respect to a single parcel of greater than a $40,000 prepayment amount will be deposited in the Special Tax Prepayments Account of the Bond Fund, and unless required under a supplemental agreement entered into with respect to future Parity Bonds to be used for redemption of future Parity Bonds, will be used to pay debt service on the Bonds, as determined by the Authority.

## Parity Bonds

The Fiscal Agent Agreement permits the District to issue "Parity Bonds," which are defined as bonds issued by the Authority for the District pursuant to the provisions of the Fiscal Agent Agreement payable from Net Special Taxes and moneys in the Special Tax Fund and the Bond Fund on a parity with the 2017 Bonds and 2020 Bonds, subject to the conditions set forth in the Fiscal Agent Agreement. These provisions include that the Authority must be in compliance with all covenants set forth in the Fiscal Agent Agreement, that interest on Parity Bonds must be payable on March 1 and September 1 and principal must be payable on September 1 in any year in which principal is payable, and that the Authority must certify that the Maximum Special Taxes to be levied in every year less the Administrative Expense Requirement for such year through the maturity of the 2017 Bonds, the 2020 Bonds and Parity Bonds are at least equal to 110% of the debt service payable on the Outstanding amount of the 2017 Bonds, the 2020 Bonds and the Parity Bonds to be issued in every such year. The Authority will also establish a separate account within the Reserve Fund with respect to a series of Parity Bonds which may be funded in cash or in the form of a Qualified Reserve Fund Credit Instrument, provided that such account within the Reserve Fund will only secure the repayment of such Parity Bonds and shall not secure the Bonds or any other issue of parity obligations. Unless the account within the Reserve Fund established for such series of the Parity Bonds is funded with cash, the final maturity of any series of Parity Bonds may not be later than September 1, 2046.

The 2025 Bonds are Parity Bonds, and future Parity Bonds may be issued in a principal amount not to exceed $14,240,000*.

## 2025 Reserve Account

An account within the Reserve Fund has been established under the Fiscal Agent Agreement to be held by the Fiscal Agent to secure the timely payment of principal of and interest on each series of the Bonds. In connection with the issuance of the 2017 Bonds, the District deposited a Qualified Reserve Fund Credit Instrument (the "2017 Reserve Policy") in the 2017 Reserve Account to satisfy the Reserve Requirement with respect to the 2017 Bonds. . In connection with the issuance of the 2020 Bonds, the District deposited a Qualified Reserve Fund Credit Instrument (the "2020 Reserve Policy") in the 2020 Reserve Account to satisfy the Reserve Requirement with respect to the 2020 Bonds.

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* Preliminary, subject to change.

The District must maintain a balance in the 2025 Reserve Account equal to the 2025 Reserve Requirement. The 2025 Reserve Requirement for the 2025 Bonds is, as of any date of calculation, the lesser of 50% of (i) 10% of the initial principal amount of the 2025 Bonds; (ii) Maximum Annual Debt Service on the 2025 Bonds; or (iii) 125% of average Annual Debt Service on the 2025 Bonds.

All amounts on deposit in the 2025 Reserve Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in such fund of the amount then required for payment of the principal of and interest and any premium on the 2025 Bonds.

The 2025 Reserve Account secures only the 2025 Bonds, and does not secure the 2017 Bonds, the 2020 Bonds or any other series of future Parity Bonds that may be issued under the Fiscal Agent Agreement. Similarly, the 2017 Reserve Account and the 2020 Reserve Account do not secure the 2025 Bonds or any other series of future Parity Bonds that may be issued under the Fiscal Agent Agreement (see "THE 2025 BONDS - Parity Bonds" herein).

The Fiscal Agent Agreement provides that the Authority will satisfy the 2025 Reserve Requirement by means of the 2025 Reserve Policy (the "2025 Reserve Policy") (see "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT" herein). Concurrently with the issuance of the 2025 Bonds, the Bond Insurer will issue the 2025 Reserve Policy in the face amount of $______, equal to the 2025 Reserve Requirement. For a further description of the provisions of the Fiscal Agent Agreement applicable to the 2025 Reserve Account, see "APPENDIX A - SUMMARY OF THE FISCAL AGENT AGREEMENT - Reserve Fund."

The District is not required under the Fiscal Agent Agreement to replace the 2025 Reserve Policy with cash or a replacement instrument in the event the ratings of the Bond Insurer decline or are withdrawn or the Bond Insurer fails to honor a draw on the 2025 Reserve Policy. If circumstances should ever cause the 2025 Reserve Policy to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the 2025 Reserve Requirement previously satisfied by the 2025 Reserve Policy. Under the Fiscal Agent Agreement, in the event that the amount on deposit in the 2025 Reserve Account is less than the 2025 Reserve Requirement, the District is required to transfer to the Fiscal Agent an amount of available Net Special Taxes sufficient to maintain the amount in the 2025 Reserve Account at such 2025 Reserve Requirement. Should the amount of Net Special Taxes then available to maintain the 2025 Reserve Account at the 2025 Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Fiscal Agent Agreement, but the requirement of the District to transfer available Net Special Taxes to the Fiscal Agent would continue.

## Teeter Plan; Foreclosure Proceedings

The County adopted a Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County has included the Special Taxes of the District in its Teeter program since its formation and expects the Special Taxes of the District will be included in its Teeter program in future years. However, the County may at any time to discontinue the Teeter Plan as it relates to the Special Taxes, in which case collections of the Special Taxes will reflect actual delinquencies.

The Authority is not obligated to enforce the lien of any delinquent installment of the Special Taxes for any Fiscal Year in which the Authority has received such installment from the County pursuant to the Teeter Plan. Further, in the event that the Teeter Plan is discontinued, the Authority will annually, on or before October 1 of each year, review the public records of the Authority relating to the collection of the Special Taxes in order to determine the amount of the Special Taxes collected in the prior Fiscal Year, and on the basis of such review, if the Authority determines that the total amount so collected is less than 95% of the total amount of the Special Taxes levied in such Fiscal Year, the Authority will, not later than the succeeding

December 1, institute foreclosure proceedings as authorized by the Act against all parcels that are delinquent in the payment of such Special Taxes totaling more than $10,000 for such parcel, to enforce the lien of all the delinquent installments of such Special Taxes, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. Any actions to enforce delinquent Special Tax liens shall only be taken consistent with Sections 53356.1 through 53356.7, both inclusive, of the Act.

## MUNICIPAL BOND INSURANCE

(to be completed)

# THE DISTRICT

## General

The District encompasses the cities of Capitola, Santa Cruz and Scotts Valley and surrounding unincorporated areas of the County. This represents all of the land within the County, with the exception of the approximate 6.2 square miles located in City of Watsonville in the southwestern area of the County.

*Special Taxes securing the payment of the Bonds will be levied only on property in the District, and only on the Developed Property, or in limited cases, Taxable Public Property (as described below) in the District.*

## Authorization

Pursuant to the Act, on December 17, 2015, the Board adopted Resolution No. 2015-02, stating its intention to establish the District. On February 11, 2016, following a duly noticed public hearing, the Board adopted Resolution No. 2016-001 establishing the District and Resolution No. 2016-002 determining the necessity to incur bonded indebtedness in an amount not to exceed $67,000,000 for the District. Pursuant to Resolution No. 2016-003, the Board called an election of the registered voters within the District pursuant to the Act. On June 7, 2016, more than two-thirds of the voters in the District voting on the matter approved the formation of the District, impositions of the Special Tax and issuance up to $67,000,000 of bonds.

## Rate and Method of Apportionment

The Authority is legally authorized and has covenanted in the Fiscal Agent Agreement to levy the Special Taxes in accordance with the Rate and Method. Pursuant to the Rate and Method, Special Taxes are levied only on "Developed Property" up to the applicable Maximum Special Tax (as defined in the Rate and Method), and in some cases, could be levied on "Taxable Public Property." Pursuant to the Rate and Method, the amount of the Special Tax to be levied in each fiscal year can be levied for a period not to exceed 30 years commencing with Fiscal Year 2016-17. See "APPENDIX C - RATE AND METHOD OF APPORTIONMENT FOR SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1."

## Description of Authorized Facilities

The facilities that can be funded by the District (the "Project") include library facilities located throughout the County, including but not limited to facilities in 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 Project includes 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 Project also includes, 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 District and bond trustee or fiscal agent related to the District, and any such debt and all other incidental expenses. The facilities comprising the Project are to be constructed or modified, upgraded or otherwise renovated, whether or not acquired in their completed states, pursuant to plans and specifications approved by the Members.

Pursuant to the JPA Agreement, Members are currently allocated a maximum amount of $77,500,000 of District funds for the Project within their respective jurisdictions as follows:

| | |
|---|---|
| City of Capitola | $10,000,000 |
| City of Santa Cruz | 31,250,000 |
| City of Scotts Valley | 3,750,000 |
| County of Santa Cruz | 32,500,000 |
| | $77,500,000 |

The maximum amount of District funds for the Project for each Member may be funded with a combination of Special Taxes and Bond proceeds. To date, the Members have been allocated $40,962,660 from proceeds of the 2017 Bonds and the 2020 Bonds and $23,471,645 from surplus annual Special Taxes. As shown in the "SOURCES AND USES OF 2025 BOND PROCEEDS," proceeds of the 2025 Bonds will fund $12,890,231 for the Project, the remaining balance of the current authorization for all members except for $175,464 to the City of Scotts Valley. The Members may amend the JPA Agreement to provide for the expenditure of District funds in excess of $77,500,000 and may issue Parity Bonds in the future to fund any additional authorized Project funding.

## Development Summary and Special Taxes

In accordance with the Rate and Method, Special Taxes are only levied on Developed Property (or Taxable Public Property, if any).

"Developed Property" is defined in the Rate and Method as a parcel of taxable property for which the County has assigned a Use Code indicating residential, commercial, agricultural, or recreational use which is not vacant. Agricultural property used for farming is considered Developed Property even if there is no structure on the property.

No Special Tax shall be levied on "Public Property" and "Undeveloped Property" as those terms are defined in the Rate and Method. However, should a 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 is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax shall, notwithstanding Section 53340 of the Act, continue to be levied on the property acquired and shall be enforceable against the public entity that acquired the property (the "Taxable Public Property").

The annual Maximum Special Tax rates for Developed Property are shown in the table below.

**Maximum Special Tax for**
**Developed Property in CFD No. 2016-1**

| 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 |

In some instances a parcel of Developed Property may contain more than one property type. The Maximum Special Tax levied on a parcel in such case shall be the sum of the Maximum Special Tax for all property types located on that parcel.

Table No. 1 summarizes the Developed Property within the District by property type under the Rate and Method along with the Fiscal Year 2024-25 Special Tax levy. Table No. 2 summarizes the Developed Property within the District by property type under the Rate and Method, together with the 2024-25 Maximum Special Tax based on 2024-25 Developed Property, and an allocation of the outstanding Bond debt based on the 2024-25 Special Tax levy and the County Fiscal Year 2024-25 assessed value of the Developed Property.

The following tables exclude vacant land and any parcels within the District that do not contain a County Use Code relating to Developed Property as listed in the Rate and Method. These parcels are not subject to Special Taxes unless and until classified as Developed Property. The Authority makes no representation as to if, or when, any such properties will be developed and subject to the Special Tax.

**Low Value Parcels**. Notwithstanding the Rate and Method, it is the County's policy not to generate tax bills when a parcel has an assessed value of less than $2,000 ("Low Value Parcels"). In the first year of the Special Tax Levy, 2016-17, approximately $10,000 in Special Taxes were levied and tax bills sent for parcels with assessed values of less than $2,000. Low Value Parcels are not included in the 2024-25 tax roll, debt and Special Taxes shown in the tables in this Official Statement, unless noted.

The Authority does not anticipate levying Special Taxes on Low Value Parcels in future years.

**TABLE NO. 1**
**DEVELOPMENT SUMMARY**

| Property Type | 2024-25 Number of Parcels[1] | 2024-25 Number of Units/Parcels[2] | 2024-25 Special Tax[1] | % of 2024-25 Special Tax |
|---|---|---|---|---|
| Single Family Residential | 52,691 | 54,571 | $2,701,265 | 60.56% |
| Multifamily Residential | 12,692 | 28,335 | 1,402,583 | 31.45% |
| Agricultural | 345 | 345 | 29,670 | 0.67% |
| Agricultural with Residential | 327 | 339 | 44,903 | 1.01% |
| Commercial | 2,649 | 2,649 | 227,814 | 5.11% |
| Commercial with Residential | 307 | 361 | 44,272 | 0.99% |
| Recreational | 112 | 112 | 9,632 | 0.22% |
| Recreational with Residential | 2 | 2 | 271 | 0.01% |
| | 69,125 | 86,714 | $4,460,408 | 100.00% |

(1) Excludes Low Value Parcels.

(2) Some parcels contain more than one unit and are subject to the combined tax rate for all units.

Source: NBS Government Finance Group.

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**TABLE NO. 2**
**SHARE OF DISTRICT BONDS**

| Property Type [1] [2] | 2024-25 Number of Parcels | 2024-25 Maximum Special Tax | Share of Bonds[3]* | 2024-25 Assessed Value[4] |
|---|---|---|---|---|
| Single Family Residential | 52,691 | $2,701,265 | $28,914,815 | $39,005,805,840 |
| Multifamily Residential | 12,692 | 1,402,583 | 15,013,492 | 9,029,494,508 |
| Agricultural | 345 | 29,670 | 317,593 | 235,526,177 |
| Agricultural with Residential | 327 | 44,903 | 480,644 | 412,213,131 |
| Commercial | 2,649 | 227,814 | 2,438,562 | 4,312,911,491 |
| Commercial with Residential | 307 | 44,272 | 473,890 | 312,980,764 |
| Recreational | 112 | 9,632 | 103,103 | 167,286,558 |
| Recreational with Residential | 2 | 271 | 2,901 | 3,839,874 |
| | 69,125 | $4,460,408 | $47,745,000 | $53,480,058,343 |

(1) As classified by the special tax administrator based on County Assessor's use code and other data for the 2024-25 special tax levy.

(2) Excludes Low Value Parcels.

(3) Allocated share of the outstanding 2017 Bonds, 2020 Bonds and 2025 Bonds based on proportionate share of 2024-25 Maximum Special Tax levy.

(4) Based on the Santa Cruz County Assessor Roll for Fiscal Year 2024-25, with a January 1, 2024 valuation date. Assessed value does not reflect any changes made to valuation after July 2024 as a result of assessment appeal, correction, change of ownership or any other changes.

Source: NBS Government Finance Group and Harrell & Company Advisors, LLC.

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* Preliminary, subject to change.

The table shown below sets forth the ratio of the Maximum Special Taxes for all categories of Developed Property that can be levied under the Rate and Method to the total debt service on the outstanding 2017 Bonds, 2020 Bonds and 2025 Bonds, based on existing Developed Property. The District is permitted under certain conditions, and expects to, issue additional Parity Bonds (see "SECURITY FOR THE BONDS - Parity Bonds.")

**TABLE NO. 3**
**COVERAGE FROM DEVELOPED PROPERTY MAXIMUM SPECIAL TAX**

| | |
|---|---|
| 2024-25 Maximum Special Tax [1] | $4,460,408 |
| Administrative Expense Requirement [2] | (228,794) |
| Net Special Taxes | 4,231,614 |
| Maximum Annual Debt Service: | |
| 2017 Bonds | 1,218,006 |
| 2020 Bonds | 1,000,406 |
| 2025 Bonds | 898,000* |
| Maximum Annual Debt Service [3] | $3,116,413* |
| Coverage | 136%* |

(1) Excludes Low Value Parcels.

(2) Based on $100,000 in Fiscal Year 2017-18 increased at 3% annually through tax year 2045-46.

(3) Bond Year ending September 1, 2036. See "SECURITY FOR THE BONDS - Parity Bonds."

Source: Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

## Teeter Plan

The County has and expects to continue to include the Special Taxes which secure the Bonds in the "Teeter Plan," which is the County's Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (see "SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings"). However, the County may at any time decide to discontinue the Teeter Plan as it relates to the Special Taxes, in which case collections of the Special Taxes paid to the Authority will reflect actual delinquencies. See "SPECIAL RISK FACTORS - No Covenant to Foreclose" for a further discussion with respect to delinquent Special Tax payments.

A 10-year history of the County-wide delinquency rate in the payment of ordinary *ad valorem* secured property taxes is as follows:

| Fiscal Year | % Delinquent | Fiscal Year | % Delinquent |
|---|---|---|---|
| 2014-15 | 1. 2% | 2019-20 | 1.1% |
| 2015-16 | 1.1 | 2020-21 | 0.9 |
| 2016-17 | 1.3 | 2021-22 | 0.9 |
| 2017-18 | 1.1 | 2022-23 | 1.3 |
| 2018-19 | 1.2 | 2023-24 | 1.3 |

Source: County of Santa Cruz.

## Estimated Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of December 1, 2024 for property in the District. The Debt Report is included for general information purposes only and the Authority makes no representation as to its accuracy or completeness.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations are not payable from Special Taxes nor are they necessarily obligations secured by a lien on the property within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the Developed Property is subject to $627,498,890* of direct and overlapping tax and assessment debt, including the 2025 Bonds being issued in the amount of $13,000,000*. There is also $290,378,977 overlapping lease obligation debt, which is not secured by specific property tax revenue. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the owners of the land within the District must pay the Special Taxes, any fixed assessments as applicable, and the general ad valorem property tax levy.

In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the Authority, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the real property within the District in order to finance public improvements or services to be located or furnished inside of or outside of the District. The lien created on the real property within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of the property owners to pay the Special Taxes and increases the possibility that foreclosure proceeds, if any, realized from the sale of property with delinquent Special Taxes will not be adequate to pay delinquent Special Taxes.

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* Preliminary, subject to change.

## TABLE NO. 4
## DIRECT AND OVERLAPPING DEBT SUMMARY

2024-25 Assessed Valuation: $52,755,734,431 (Land and Improvements net of Exemptions)

| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | % Applicable | Debt 12/1/24 |
|---|---|---|
| Cabrillo Community College District General Obligation Bonds | 82.901% | $ 70,453,793 |
| West Valley-Mission Community College District General Obligation Bonds | 0.836 | 5,277,676 |
| Aromas-San Juan Joint Unified School District General Obligation Bonds | 0.686 | 104,966 |
| Pajaro Valley Joint Unified School District General Obligation Bonds | 65.010 | 98,914,456 |
| San Lorenzo Unified School District General Obligation Bonds | 94.020 | 76,395,241 |
| Scotts Valley Unified School District General Obligation Bonds | 93.533 | 25,268,007 |
| Los Gatos-Saratoga Union High School District General Obligation Bonds | 4.732 | 3,428,252 |
| Santa Cruz High School District General Obligation Bonds | 94.753 | 122,567,114 |
| Live Oak School District General Obligation Bonds | 95.117 | 20,920,978 |
| Loma Prieta Joint Union School District General Obligation Bonds | 75.971 | 5,462,680 |
| Mountain School District General Obligation Bonds | 94.842 | 2,105,484 |
| Pacific School District General Obligation Bonds | 72.812 | 1,451,524 |
| Santa Cruz School District General Obligation Bonds | 94.712 | 59,448,633 |
| Soquel Union School District General Obligation Bonds | 95.858 | 40,340,738 |
| City of Santa Cruz General Obligation Bonds | 94.401 | 2,520,518 |
| Pajaro Valley Healthcare District General Obligation Bonds | 63.242 | 33,739,413 |
| **Santa Cruz Libraries Facilities Community Facilities District No. 2016-1** | **100.** | **34,745,000** (1) |
| City of Scotts Valley Community Facilities District No. 97-1 | 87.980 | 1,183,330 |
| Santa Cruz County Community Facilities District No. 1 | 98.508 | 5,437,648 |
| Santa Cruz County Assessment District No. 15-1 | 100. | 555,000 |
| Santa Cruz County Reassessment District No. 2021-1 | 96.004 | 998,441 |
| Santa Cruz County Community Services District No. 2 Assessment District No. 21-01 | 100. | 2,465,000 |
| Pajaro Dunes Geo Hazard Abatement Assessment District | 100. | 715,000 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $614,498,890 |
| OVERLAPPING GENERAL FUND DEBT: | | |
| Santa Cruz County General Fund Obligations | 86.342% | $142,666,515 |
| Santa Cruz County Pension Obligation Bonds | 86.342 | 93,517,459 |
| Santa Cruz County Office of Education Certificates of Participation | 86.342 | 5,708,996 |
| West Valley-Mission Community College District Certificates of Participation | 0.836 | 21,069 |
| Pajaro Valley Joint Unified School District Certificates of Participation | 65.010 | 6,796,763 |
| Scotts Valley Unified School District Certificates of Participation | 93.533 | 8,726,652 |
| Santa Cruz High School District Certificates of Participation | 94.753 | 866,588 |
| Live Oak School District Certificates of Participation | 95.117 | 10,333,482 |
| Soquel Union School District Certificates of Participation | 95.858 | 4,108,475 |
| City of Capitola Certificates of Participation | 96.092 | 922,392 |
| City of Santa Cruz Certificates of Participation | 94.401 | 10,882,423 |
| City of Scotts Valley Certificates of Participation | 91.566 | 5,828,164 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $290,378,977 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | | $145,656,772 |
| COMBINED TOTAL DEBT | | $1,050,534,639 (2) |

(1) Excludes the 2025 Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:

**Direct Debt ($34,745,000) ........................................................... 0.07%**

Total Direct and Overlapping Tax and Assessment Debt ...............1.16%

Combined Total Debt ......................................................................1.99%

Source:.............................. California Municipal Statistics.

## Estimated Tax Rate

Set forth in Table No. 5 is the estimated average effective tax rates for Fiscal Year 2024-25, for Single Family Residential Developed Property, in each city within the District and two communities in the unincorporated area of the County.

**TABLE NO. 5**
**ESTIMATED TOTAL EFFECTIVE TAX RATE IN FISCAL YEAR 2024-25**

| | City of Capitola | City of Santa Cruz | City of Scotts Valley | Soquel [1] | Felton [1] |
|---|---|---|---|---|---|
| Average Assessed Value [2] | $690,717.00 | $708,253.00 | $888,748.00 | $802,750.00 | $504,820.00 |
| Homeowner's Exemption [3] | (7,000.00) | (7,000.00) | (7,000.00) | (7,000.00) | (7,000.00) |
| Estimated Net Assessed Value | $683,717.00 | $701,253.00 | $881,748.00 | $795,750.00 | $497,820.00 |
| Ad Valorem Tax Rate [4] | 1.086371% | 1.088120% | 1.083044% | 1.086371% | 1.130805% |
| Ad Valorem Tax | $ 7,427.70 | $ 7,630.47 | $ 9,549.72 | $ 8,644.80 | $ 5,629.37 |
| Fixed Assessments: | | | | | |
| District Special Tax | $ 49.50 | $ 49.50 | $ 49.50 | $ 49.50 | $ 49.50 |
| Other [5] | 1,201.97 | 385.93 | 1,070.07 | 1,488.19 | 1,108.70 |
| Estimated Total Tax | $ 8,679.17 | $ 8,065.90 | $ 10,669.29 | $ 10,182.49 | $ 6,787.57 |
| Estimated Effective Tax Rate | 1.26% | 1.14% | 1.20% | 1.27% | 1.34% |

(1) Representative unincorporated areas of the County.

(2) Average land and structure values for properties with one unit, based on Fiscal Year 2024-25 County secured tax roll assessed values, which may not represent the current market value of the respective property.

(3) Exemption for property owned and occupied as the owner's principal place of residence.

(4) Sample ad valorem tax rate for parcels in the District. Actual ad valorem rates may vary depending on location of the parcel in the District.

(5) Estimated fixed assessments for parcels in the District, taken directly from Fiscal Year 2024-25 property tax bill, and may include assessment district assessments and other community facilities district special taxes. Actual amount may vary depending on location of the parcel in the District. See "Estimated Direct and Overlapping Indebtedness."

Source: Alliant Tax Research, Inc.

The Authority has no control over the amount of additional debt payable from special taxes or assessments levied on all or a portion of the Developed Property within the District that may be incurred in the future by other governmental agencies having jurisdiction over such Developed Property. Furthermore, nothing prevents owners of property within the District from consenting to the issuance of such debt by other governmental agencies. To the extent that such indebtedness is payable from assessments, special taxes levied pursuant to the Act, or other taxes, such assessments, special taxes, and other taxes may be secured by liens on the Developed Property within the District on a parity with the lien of the Special Taxes.

The incurrence of any such additional indebtedness could cause the total debt on the Developed Property within the District to increase without any corresponding increase in the value of such property, thereby reducing (perhaps dramatically) the estimated value-to-lien ratios that exist at the time the Bonds are issued. The incurrence of such additional indebtedness could reduce the willingness and ability of the property owners within the District to pay Special Taxes when due. See "SPECIAL RISK FACTORS - Other Possible Claims Upon the Property Values."

## Property Assessed Values

The most recent assessed value reported by the County Assessor for the Developed Property in the District was as of January 1, 2024, for the Fiscal Year 2024-25 tax roll, and totals $53.4 billion. The assessed values of Developed Property in the District discussed in this Official Statement are from that County Assessor's secured property tax roll and have not been adjusted for any changes as a result of assessment appeals, corrections, change of ownership or any other changes. These assessed values represent the "full cash value" of such property as determined by the County Assessor. Pursuant to rules of the State Board of Equalization that govern the County Assessor's valuation of property in the District, "full cash value" of real property means the price at which the unencumbered or unrestricted fee simple interest in the real property (subject to any enforceable governmental restrictions) would transfer for cash or its equivalent under prevailing market conditions. These rules also provide that when valuing property as a result of a change in ownership for consideration it shall be presumed that the consideration valued in money (i.e., the purchase price), whether paid in money or otherwise, is the full cash value of the property. Pursuant to the California Constitution, the full cash value of property may reflect from year to year the inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced to reflect substantial damage, destruction or other factors causing a decline in value.

No assurance can be given, therefore, that the assessed value of the Developed Property in the District will not be reduced by the County Assessor for Fiscal Year 2024-25 or for any subsequent fiscal year. See "SPECIAL RISK FACTORS - Property Values."

Assessed values, as determined by the County Assessor, may not reflect the actual market value of property in the District (e.g., homes in the District might sell for more or less than the County Assessor's assessed value). The Authority does not intend to have an appraisal prepared to estimate the market value of any of the Developed Property in the District.

Table No. 6 shows assessed valuations for all Developed Property in the District for Fiscal Years 2015-16 through 2024-25.

**TABLE NO. 6**
**HISTORICAL ASSESSED VALUATION**

| | Land Value | Structure Value | Total Value[1] |
|---|---|---|---|
| 2020-21 | $25,508,121,410 | $18,816,915,272 | $44,325,036,682 |
| 2021-22 | 26,614,840,607 | 19,240,444,284 | 45,855,284,891 |
| 2022-23 | 28,681,939,176 | 20,073,703,450 | 48,755,642,626 |
| 2023-24 | 30,387,238,583 | 20,837,567,057 | 51,224,805,640 |
| 2024-25 | 31,861,754,488 | 21,618,303,855 | 53,480,058,343 |

(1) Excludes Low Value Parcels.

Source: County Assessor's roll data, compiled by NBS Government Finance Group.

## Top Taxpayers

Table No. 7 shows the percent of the Fiscal Year 2024-25 Maximum Special Tax based on property ownership status as of January 1, 2024 as provided by the County.

**TABLE NO. 7**
**LARGEST TAXPAYERS**

| Property Owner | Property Type (1) | Parcels | Units (2) | 2024-25 Maximum Special Tax | % of 2024-25 Maximum Special Tax |
|---|---|---|---|---|---|
| Cypress Point RE Investors LLC | MFR | 1 | 240 | $ 11,880 | 0.27% |
| Spring Lakes Park | MFR | 1 | 223 | 11,039 | 0.25% |
| Santa Cruz Shaffer Road Investors | MFR | 1 | 207 | 10,247 | 0.23% |
| Rodeo Mobile Estates LLC | MFR | 4 | 207 | 10,247 | 0.23% |
| Carefree Communities Ca LLC | MFR | 1 | 202 | 9,999 | 0.22% |
| Community Affordable Housing LP | MFR | 1 | 200 | 9,900 | 0.22% |
| MHC De Anza Santa Cruz LP | MFR | 2 | 199 | 9,851 | 0.22% |
| Santa Cruz Seaside Company | Various | 63 | 151 | 9,130 | 0.20% |
| Shoreline Mobile Estates LLC | MFR | 4 | 179 | 8,861 | 0.20% |
| Pinto Lake MHP LLC | MFR | 1 | 177 | 8,762 | 0.20% |
| Total Top Ten Owners | | 79 | 1,985 | $ 99,913 | 2.24% |
| All Others (3) | | 69,046 | 84,729 | 4,360,495 | 97.76% |
| Total (3) | | 69,125 | 86,714 | $4,460,408 | 100.00% |

(1) As classified by the special tax administrator based on County Assessor's use code and other data for the 2024-25 Special Tax levy.

(2) Some parcels contain more than one unit and are subject to the combined tax rate for all units.

(3) Excludes Low Value Parcels.

Source: County; compiled by NBS Government Finance Group.

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## Estimated Total Valuation of Developed Taxable Property Within the District

Table No. 8 shows the pro rata share of Bonds and other overlapping tax and assessment debt allocated by Fiscal Year 2024-25 Special Tax levy summarized based on value-to-lien ratios ranges.

**TABLE NO. 8**
**VALUE TO LIEN RATIO OF DEVELOPED PROPERTY**
**ALL PROPERTY TYPES COMBINED**

| Assessed Value-to-Lien | 2024-25 Parcels | 2024-25 Units (1) | FY 2024-25 Special Tax | % of Special Tax | Assessed Value (2) | Share of Bonds (3)* | Other Overlapping Bonded Debt (4) | Total Direct and Overlapping Debt* | Average Value to Lien* |
|---|---|---|---|---|---|---|---|---|---|
| Below 3:1 | 5 | 5 | $ 248 | 0.01% | $ 471,414 | $ 2,649 | $ 167,786 | $ 170,436 | 2.77 |
| 3:1 to 4.99:1 | 13 | 81 | 4,156 | 0.09% | 1,324,312 | 44,481 | 261,862 | 306,344 | 4.32 |
| 5:1 to 9.99:1 | 69 | 77 | 4,774 | 0.11% | 5,868,942 | 51,096 | 722,724 | 773,820 | 7.58 |
| 10:1 to 19.99:1 | 340 | 786 | 41,113 | 0.92% | 35,100,017 | 440,076 | 1,822,363 | 2,262,439 | 15.51 |
| 20:1 to 29.99:1 | 500 | 1,624 | 83,696 | 1.88% | 101,709,283 | 895,897 | 3,056,583 | 3,952,480 | 25.73 |
| Above 30:1 | 68,198 | 84,141 | 4,326,423 | 97.00% | 53,335,584,375 | 46,310,801 | 573,722,571 | 620,033,372 | 86.02 |
| Total (5) | 69,125 | 86,714 | $4,460,408 | 100.00% | $53,480,058,343 | $47,745,000 | $579,753,890 | $627,498,890 | 85.23 |

(1) Some parcels contain more than one unit and are subject to the combined tax rate for all units.

(2) Per County Assessor's roll data for Fiscal Year 2024-25, with a January 1, 2024 valuation date. Assessed value does not reflect any changes made to valuation after July 2024 as a result of assessment appeal, correction or any other changes.

(3) Includes the outstanding 2017 Bonds, 2020 Bonds and the 2025 Bonds. Allocated based on the proportionate share of the 2024-25 Maximum Special Tax.

(4) Per overlapping debt statement data provided by California Municipal Statistics Inc. dated as of December 1, 2024.

(5) Excludes Low Value Parcels.

Source: NBS Government Finance Group and Harrell & Company Advisors, LLC.

* Preliminary, subject to change.

Notwithstanding the foregoing and following discussions and estimates of value, there is no assurance that, in the event of a foreclosure sale of a parcel for delinquent Special Taxes, any bid would be received for such property or that any bid received would be sufficient to pay the delinquent Special Taxes and any parity special taxes, taxes and assessments. See the section herein entitled "SPECIAL RISK FACTORS." Moreover, foreclosure proceedings in respect of delinquent Special Taxes are not mandatory. See "SECURITY FOR THE BONDS - Teeter Plan; Foreclosure Proceedings."

The Authority has no control over the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes and be secured by a lien on a parity with the lien securing payment of the Special Taxes. See "THE DISTRICT - Estimated Direct and Overlapping Debt" herein.

# SPECIAL RISK FACTORS

*Investment in the 2025 Bonds involves risks which may not be appropriate for certain investors. The following is a discussion of certain risk factors, in no particular order of importance, all of which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2025 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of existing or future property owners within the District to pay the Special Taxes levied in the District when due. Such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.*

## Risks of Real Estate Secured Investments Generally

The Owners of the 2025 Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and around the vicinity of the Taxing Jurisdictions, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires, floods, drought and windstorms), which may result in uninsured losses; and (iv) adverse changes in local market conditions.

No assurance can be given that the individual homeowners and other owners of Developed Property will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "Levy and Collection of the Special Taxes - Factors that Could Lead to Special Tax Deficiencies" below, for a discussion of certain limitations on the Authority's ability to pursue judicial proceedings with respect to delinquent parcels.

## Limited Obligation to Pay Debt Service

The District has no obligation to pay principal of or interest on the Bonds if Special Tax collections are delinquent or insufficient for such purposes, other than from amounts, if any, available under the 2017 Reserve Policy held in the 2017 Reserve Account for the 2017 Bonds, amounts, if any, available under the 2020 Reserve Policy held in the 2020 Reserve Account for the 2020 Bonds, amounts, if any, available under the 2025 Reserve Policy held in the 2025 Reserve Account for the 2025 Bonds, or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. Neither the District nor the Authority is obligated to advance its own funds to pay debt service on the Bonds.

## Levy and Collection of the Special Taxes

**General.** The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against Developed Property within the District.

**Limitation on Special Tax Rate.** The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds. Moreover, the Special Tax levy on a residential parcel may not be increased by more than 10% in any year as a consequence of delinquencies in payment of Special Taxes by other property owners in the District.

**No Relationship Between Property Value and Special Tax Levy.** Because the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Developed Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Developed Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular Developed Property to vary from the Special Tax that might otherwise be expected:

> Transfers to Governmental Entities. The number of Developed Parcels could be reduced through the acquisition of Developed Parcels by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.
>
> Property Tax Delinquencies. In the event that the County discontinues the Teeter Plan with respect to Special Taxes, failure of the owners of Developed Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. See "THE DISTRICT - Teeter Plan; Foreclosure Proceedings."

## Payment of Special Taxes is not a Personal Obligation of the Property Owners

Property Owners are not personally obligated to pay their respective Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient to pay the delinquent Special Taxes, taking into account other obligations also constituting a lien against the parcel, the Authority has no recourse against the parcel owner.

## Assessed Valuations

The Authority has not commissioned an appraisal of the parcels in the District in connection with the issuance of the 2025 Bonds. Therefore, the estimated valuation of the parcels of Developed Property in the District set forth in this Official Statement is based on the County Assessor's values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed value is not evidence of future value because future facts and circumstances may differ significantly from the present.

## Property Values

The value of the Developed Property within the District is a critical factor in determining the investment quality of the 2025 Bonds. If a parcel owner defaults in the payment of the Special Taxes, the Authority's only remedy is to foreclose on the delinquent property to collect the delinquent Special Taxes.

The actual market value of the property is subject to future events such as downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the property in the District which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within the District.

## Natural Disasters

The value of the parcels of Developed Property in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity.

*Seismic Activity*. The County's General Plan notes that the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to the County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. The District is located in an area classified as Seismic Risk Zone 4 by the Uniform Building Code. Seismic Risk Zone 4 includes the greater San Francisco Bay Area and all of coastal California. It is the highest risk zone classification of the Uniform Building Code. If there were to be an occurrence of severe seismic activity in the County, there could be substantial damage to and interference with all or a portion of property within the District.

Other natural disasters could include, without limitation, floods, landslides, wildfires, droughts or tornadoes.

*Flood*. Flooding from rainfall is considered a risk and some areas of the County, and therefore the District, are within a 100-year flood plain. During the 2017 and 2022-23 winter rains, several landslides occurred in the County. In addition, portions of the District are located along the Pacific Ocean. These areas have been impacted by storm surges in recent years and are likely to continue to be impacted in the future. Property in the District could be subject to impacts from rising sea levels as discussed below or from tsunamis in the event of an earthquake occurring off-shore.

*Wildfire*. The County includes areas where there is high or extreme danger of wildfires during dry months and during periods of prolonged drought. During calendar years 2008 and 2009, there were 5 significant wildfires, resulting in a total of 327 structures or mobile homes destroyed. In October 2017, 29 structures or mobile homes were destroyed and 391 acres burned in the Bear Fire. The CZU Lightning Complex Fire destroyed or damaged over 900 homes in the County and burned 86,000 acres in 2020.

A secondary impact of the CZU Lightning Complex Fire, or any future fire, could occur during following years if there is above-average or prolonged rainfall in the area burned by the fire because of runoff-generated debris flows.

There can be no assurances that further wildfires will not occur within the District. Property damage due to wildfire could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay property taxes when due. *Drought*. From time to time, the State has experienced severe droughts. On April 7, 2017, Governor Brown declared California's most recent drought emergency officially over in most parts of the State, including County. At that time, the Governor directed the State Water Board to lift the specific conservation provisions of its drought emergency regulations. The Authority cannot predict what effect any future drought conditions may have on property values, to what extent water reduction requirements may affect the homeowners or others in the District or to what extent drought could cause disruptions to economic activity within the boundaries of the District.

One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the taxable parcels may well depreciate.

*Sea Level Rise and Risks Associated with Global Climate Change.* The western boundary of the District is located along and inland from the Pacific Ocean coast of California. In recent years, concern has arisen regarding the impact of climate change on coastal communities like the County, including as a result of sea level rise. The County's 2013 Climate Action Strategy originally identified risks of potential damage to property in the County in the event of various climate change scenarios resulting from sea level rise as well as the actions current and future decision makers will need to take to protect the natural and built environments, residents, visitors, and the economic base and quality of life. The County has adopted a 2022 Climate Action and Adaption Plan to include adaptation and mitigation strategies, founded upon the principles of equity and actionable within the span of local government response.

Sea level rise would gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the District will be susceptible to direct impacts from rising sea levels. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, the affected public agencies can implement long term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

The impacts of sea level rise can include physical damage to property and therefore reduced habitability, which could result in a significant decrease in the market value of the property and in the ability or willingness of property owners to pay property taxes and Special Taxes when due. Other properties within the District are located along rivers that may be subject to more or increased flooding, again with a potential for impact on property value over time.

Other potential impacts of climate change, in addition to sea level rise, may include extreme temperatures becoming more common and extreme weather events becoming more frequent. Projections of the impacts of global climate change on the property within the District are complex and depend on many factors that are outside the control of the Authority and the Members. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts on the market value of property in the District.

*Coastal Storm Waves.* Sea level rise could also increase the frequency of coastal flooding from extreme waves. Extreme waves during storms have recently caused localized flooding and damage to structures along the Santa Cruz County coast.

*Homeowners' Calamity Relief.* A property owner affected by the CZU Lightning Complex Fire in 2020 could file an Application for Calamity Relief and/or Deferral of Regular Secured Taxes with the County Assessor by December 10, 2020, allowing current property taxes to be reduced for that portion of the property damaged or destroyed. The Deferral of Regular Secured Taxes portion of the application included a request to postpone the next installment of property taxes. Timely filed and approved applications for property tax deferral allowed postponement of the next property tax installment until the county assessor reassessed the property and the owner received a corrected tax bill. To qualify for deferral, for property receiving a homeowners' exemption, "substantial disaster damage" means damage amounting to at least 10 percent of its fair market value or $10,000, whichever was less. For all other property, the damage must have been at least 20 percent of value.

Property damage due to future natural disasters could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay property taxes when due. The County could also again implement a deferral program for property taxes similar to the program described above.

## Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super Fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the Taxing Jurisdictions be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

The Authority is not aware of the presence of any federally or state classified hazardous substances in violation of any environmental laws, located on the property within the District. However, it is possible that such materials do currently exist and that the Authority is not aware of them.

It is possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could have the effect of reducing the value of the applicable property.

## Other Factors

Other factors that could adversely affect property values in the District include, among others, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

## Parity Taxes and Special Assessments

Property within the District is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness in "THE DISTRICT - Estimated Direct and Overlapping Debt." Neither the Authority nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. See "— Bankruptcy and Foreclosure" below.

Neither the Authority nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the Authority or the District, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described in this Official Statement.

## Exemptions Under Rate and Method and the Mello-Roos Act

Certain properties are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

## Depletion of 2025 Reserve Account

A 2025 Reserve Account has been established under the Fiscal Agent Agreement and the 2025 Reserve Policy will be deposited therein, which may be used to pay principal of and interest on the 2025 Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against the Developed Property within the District. See "SECURITY FOR THE BONDS – 2025 Reserve Account."

If the amount available under the 2025 Reserve Policy held in the 2025 Reserve Account is depleted, the 2025 Reserve Policy available amount can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay the Administrative Expense Requirement and all amounts to be paid to the Fiscal Agent under the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Tax against the Developed Property within the District at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Moreover, the

Special Tax levy on a residential parcel may not be increased in any year by more than 10% as a consequence of delinquencies in payment of Special Taxes by other property owners in the District. Thus, it is possible that the amount available under the 2025 Reserve Policy held in the 2025 Reserve Account will be depleted and not be replenished by the levy of the Special Tax.

## Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The Authority caused a notice of the Special Tax that may be levied against the taxable parcels in the District to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

## No Acceleration

The Fiscal Agent Agreement does not contain a provision allowing for acceleration of the principal of the 2025 Bonds if a payment default or other default occurs under the Fiscal Agent Agreement.

## Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," interest on the 2025 Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2025 Bonds were issued as a result of future acts or omissions of the Authority in violation of its covenants in the Fiscal Agent Agreement. The Fiscal Agent Agreement does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2025 Bonds were to be includable in gross income for purposes of federal income taxation, the 2025 Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions of the Fiscal Agent Agreement. See "THE 2025 BONDS - Redemption of 2025 Bonds."

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2025 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2025 Bonds. Prospective purchasers of the 2025 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the 2025 Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the 2025 Bonds or the market value of the 2025 Bonds. No assurance can be given that subsequent to the issuance of the 2025 Bonds such changes or interpretations will not occur. See "TAX MATTERS" below.

## Cybersecurity

The Authority is reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the dissemination agent. No assurance can be given that the Authority, the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the 2025 Bond owners.

## Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the Community Facilities Districts to pay the principal of and interest on the Local Obligations as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Mello-Roos Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Mello-Roos Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Mello-Roos Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On August 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely payment of debt service on the Bonds.

The interpretation and application of the Initiative will continue to be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "SPECIAL RISK FACTORS - Limitations on Remedies."

## Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the District to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete any future development.

## Limitations on Remedies

Remedies available to the Owners of the 2025 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2025 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2025 Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the 2025 Bonds.

## Risks Associated with the Policy and 2025 Reserve Policy

In the event that the Authority defaults in the payment of principal of or interest on the 2025 Bonds when due, the Owners of the 2025 Bonds will have a claim under the Policy for such payments. See the caption "MUNICIPAL BOND INSURANCE." In the event that the Insurer becomes obligated to make payments on the 2025 Bonds, no assurance can be given that such event will not adversely affect the market for the 2025 Bonds. In the event that the Insurer is unable to make payments of principal of or interest on the 2025 Bonds when due under the Policy, the 2025 Bonds will be payable solely from Special Taxes and amounts that are held in certain funds and accounts established under the Fiscal Agent Agreement, as described under the caption "SECURITY FOR THE BONDS." In the event that the Insurer becomes obligated to make payments under the 2025 Reserve Policy, no assurance can be given that such event will not adversely affect the market for the 2025 Bonds.

The long-term credit rating on the 2025 Bonds is dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. If the long-term ratings of the Insurer are lowered, such event could adversely affect the market for the 2025 Bonds. See the caption "CONCLUDING INFORMATION—Ratings."

None of the Authority, the District or the Municipal Advisor has made an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is being made by the Authority, the District, or the Municipal Advisor in this Official Statement. Therefore, when making an investment decision with respect to the 2025 Bonds, potential investors should carefully consider the ability of the District to pay principal and interest on the 2025 Bonds, assuming that the Policy is not available to pay principal and interest on the 2025 Bonds, and the claims-paying ability of the Insurer through final maturity of the 2025 Bonds.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer has certain notice, consent and other rights under the Fiscal Agent Agreement and will have the right to control all remedies in the event of a default under the Fiscal Agent Agreement as to the 2025 Bonds. The Insurer is not required to obtain the consent of the Owners of the Bonds with respect to the exercise of remedies. See APPENDIX B.

The obligations of the Insurer under the Policy and the 2025 Reserve Policy are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

## Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2025 Bonds or, if a secondary market exists, that such 2025 Bonds can be sold for any particular price. Although the Authority has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE" and APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE. Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the 2025 Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

# TAX MATTERS

### Federal Tax Status

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2025 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2025 Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2025 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2025 Bonds.

### Tax Treatment of Original Issue Discount and Premium

If the initial offering price to the public at which a 2025 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2025 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2025 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2025 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2025 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2025 Bonds who purchase the 2025 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2025 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2025 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2025 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2025 Bond (said term being the shorter of the 2025 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2025 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2025 Bond is amortized each year over the term to maturity of the 2025 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2025 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2025 Bonds.

**California Tax Status**

In the further opinion of Bond Counsel, interest on the 2025 Bonds is exempt from California personal income taxes.

**Other Tax Considerations**

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2025 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2025 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2025 Bonds, or as to the consequences of owning or receiving interest on the 2025 Bonds, as of any future date. Prospective purchasers of the 2025 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2025 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2025 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2025 Bonds, the ownership, sale or disposition of the 2025 Bonds, or the amount, accrual or receipt of interest on the 2025 Bonds.

A copy of the form of opinion of Bond Counsel relating to the 2025 Bonds is included in APPENDIX B hereto.

# CONTINUING DISCLOSURE

The Authority has agreed in a Continuing Disclosure Certificate to provide certain annual financial information (the "Annual Reports") and notices of the occurrence of certain enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule") by not later than February 28 in each year commencing February 28, 2026. Harrell & Company Advisors, LLC will act as dissemination agent (the "Dissemination Agent") pursuant to the Continuing Disclosure Certificate. The specific nature of the information to be contained in the Annual Reports or the notices of listed events and certain other terms of the continuing disclosure obligation are found in the form of the Continuing Disclosure Certificate in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

It is expected that the Dissemination Agent will prepare and file the Annual Report and any notices of enumerated events as required by the Continuing Disclosure Certificate on behalf of the Authority.

The Authority's only other continuing disclosure obligations are related to the 2017 Bonds and the 2020 Bonds. A review of the Authority's compliance with its previous continuing disclosure undertaking was conducted and in the previous five years, and the Authority believes is has complied in all material respects with its prior continuing disclosure undertaking.

# LEGAL MATTERS

## Absence of Litigation

At the time of delivery of and payment for the 2025 Bonds, the Authority will deliver a certificate to the effect that there is no known action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency known to be pending against the Authority or the District affecting the existence of the Authority or the District or the title of their respective officers to office or seeking to restrain or to enjoin the issuance, sale, or delivery of the 2025 Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Taxes to pay the principal of and interest on the 2025 Bonds, or in any way contesting or affecting the validity or enforceability of the 2025 Bonds, the Resolution of Issuance, the Fiscal Agent Agreement, or any other applicable agreements or any action of the Authority or the District or contemplated by any of said documents.

## Approval of Legal Proceedings

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Corporation, San Francisco, California, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in "APPENDIX B" hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Authority and the District have no knowledge of any fact or other information which would indicate that the Fiscal Agent Agreement or the 2025 Bonds are not so enforceable against the Authority except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel and by the Santa Cruz County Counsel, Santa Cruz, California, as Authority General Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the 2025 Bonds.

# CONCLUDING INFORMATION

## Ratings on the 2025 Bonds

Standard & Poor's has assigned their rating of "__to the 2025 Bonds. S&P is expected to assign its municipal bond rating of "___" to the 2025 Bonds with the understanding that the Policy insuring the payment when due of the principal of and interest on the 2025 Bonds will be issued concurrently by the Insurer with the delivery of the 2025 Bonds. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings, or any outlook associated with such ratings, should be obtained from the rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## Underwriting

The 2025 Bonds were sold to _________ (the "Underwriter") at competitive bid. The Underwriter is offering the 2025 Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2025 Bonds at a price equal to $________, which represents the principal amount of the 2025 Bonds, plus a net original issue premium of $_______ and less an Underwriter's discount of $_________.

## The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the District with the assistance of the Municipal Advisor who advised the Authority and the District as to the financial structure and certain other financial matters relating to the 2025 Bonds. The information set forth herein received from sources other than the Authority and the District has been obtained by the Authority and the District from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2025 Bonds.

## Miscellaneous

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement between any of the Authority, the District or the Underwriter and the purchasers or the owners of the 2025 Bonds.

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## Execution

The execution and delivery of this Official Statement has been duly authorized by the Board.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY, for and on behalf of SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 2016-1

By: ______________________
Treasurer-Controller

# APPENDIX A
# SUMMARY OF THE FISCAL AGENT AGREEMENT

# APPENDIX B

# PROPOSED FORM OF OPINION OF BOND COUNSEL

**APPENDIX C**

**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 any Fiscal Year for each Assessor's Parcel is shown in Table 1.

**TABLE 1**

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

| 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 2016/17and 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 | Reserve Fund Credit |
| 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. <u>TERM OF SPECIAL TAX</u>

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

# APPENDIX D
# ECONOMIC PROFILE FOR THE COUNTY OF SANTA CRUZ

The following information relating to the County of Santa Cruz is supplied solely for the purposes of background information. The County is not obligated in any manner to pay principal of or interest on the 2025 Bonds or to cure any delinquency or default on the 2025 Bonds. The 2025 Bonds are payable solely from the sources described in the Official Statement.

**General Information**

The County is situated at the northern tip of Monterey Bay, 73 miles south of San Francisco, 42 miles north of Monterey, and 35 miles south of the Silicon Valley. The County is the gateway to the Monterey Bay National Marine Sanctuary, has 29 miles of beaches and includes seven state parks and seven state beaches. It is the second smallest county in California in land area, containing a total of 445 square miles. There are four incorporated cities in the County: Capitola, Santa Cruz, Scotts Valley and Watsonville.

The City of Santa Cruz was incorporated as a city in 1866. It is the county seat of the County and is the location of the Santa Cruz campus of the University of California. The City of Watsonville, established in 1868, lies 18 miles southeast of the City of Santa Cruz. The City of Watsonville is the center of the County's agriculture region transporting fresh and processed farm crops to worldwide destinations. The City of Capitola stretches along the coast east of the City of Santa Cruz. It was incorporated in 1949 and is a tourist destination and regional retail center. The City of Scotts Valley, incorporated in 1966, lies north of the City of Santa Cruz and includes community commercial areas serving local residents and a mix of industrial sites that have supported light manufacturing and research development firms predominantly in the electronics and technology industries.

## Population

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of Santa Cruz and the State of California for each year since 2020, and the change from the previous year.

| | COUNTY OF SANTA CRUZ | | STATE OF CALIFORNIA | |
|---|---|---|---|---|
| January 1 Year | Population | Percentage Change | Population | Percentage Change |
| 2020(1) | 271,259 | | 39,535,623 | |
| 2021(2) | 265,533 | (2.1)% | 39,327,868 | (0.5)% |
| 2022(2) | 264,495 | (0.4) | 39,114,785 | (0.5) |
| 2023(2) | 263,338 | (0.4) | 39,061,058 | (0.1) |
| 2024(2) | 262,572 | (0.3) | 39,128,162 | (0.2) |

Source: (1) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2020, with 2010 Census Benchmark"* Sacramento, California, May 2021.
(2) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2021-2024, with 2020 Census Benchmark"* Sacramento, California, May 2024.

## Principal Employers

The principal employers operating within the County during the Fiscal Year ended June 30, 2024 are as follows:

**COUNTY OF SANTA CRUZ**
**PRINCIPAL EMPLOYERS**
**FISCAL YEAR 2023-24**

| Name of Company | Number of Employees[1] | Product/Service |
|---|---|---|
| University of California at Santa Cruz | 1,000-4,999 | Education |
| Santa Cruz Government Center | 1,000-4,999 | County Services |
| Dominican Hospital | 1,000-4,999 | Hospital |
| Santa Cruz Health Center | 500-999 | County Services |
| Granite Rock | 500-999 | Excavating Contractors |
| Plantronics[2] | 500-999 | |
| Watsonville City Sewer Department | 500-999 | City Services |
| Source Naturals | 500-999 | Vitamin Manufacturer |
| Cabrillo Senson House 1 | 500-999 | Venue and Event Spaces |
| Monterey Mushrooms | 500-999 | Agriculture |
| Larse Farms | 500-999 | Agriculture |
| Ameri-Kleen | 500-999 | Services |

(1) Number of Employees reflects an average range based on California Employment Development Department data.
(2) Facility sold to Joby Aviation in November 2022. Joby Aviation specializes in electric vertical takeoff and landing aircraft.

Source: County of Santa Cruz Annual Comprehensive Financial Report

## Per Capita Personal Income

Per capita personal income information for the County, the State of California and the United States for the years 2019 through 2023 are summarized in the following table.

**PER CAPITA PERSONAL INCOME**
**COUNTY, STATE AND UNITED STATES**

| Calendar Year | County of Santa Cruz | State of California | United States |
|---|---|---|---|
| 2019 | $69,402 | $64,219 | $55,566 |
| 2020 | 77,231 | 70,098 | 59,123 |
| 2021 | 88,329 | 76,882 | 64,460 |
| 2022 | 83,277 | 76,941 | 66,244 |
| 2023 | 88,581 | 81,255 | 69,810 |

Note: All dollar estimates are in current dollars (not adjusted for inflation).

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

## Commercial Activity

Taxable transactions by type of business for the County are summarized below for 2019 through 2023 (the most recent year for which full-year statistics are available).

**TAXABLE TRANSACTIONS BY TYPE OF BUSINESS**
**(in thousands)**

| | Calendar Year | | | | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** |
| *Retail and Food Services* | | | | | |
| Motor Vehicle and Parts Dealers | $ 404,030 | $ 411,407 | $ 493,363 | $ 488,190 | $ 613,350 |
| Home Furnishings and Appliance Stores | 112,460 | 106,194 | 124,045 | 122,849 | 106,198 |
| Building Material, Garden Supplies | 349,453 | 405,904 | 435,731 | 440,552 | 428,878 |
| Food and Beverage Stores | 285,897 | 292,589 | 294,159 | 298,904 | 296,050 |
| Gasoline Stations | 273,002 | 210,315 | 295,589 | 374,213 | 328,980 |
| Clothing and Accessories Stores | 169,279 | 129,587 | 180,481 | 181,654 | 181,085 |
| General Merchandise | 286,437 | 278,370 | 315,253 | 336,312 | 327,438 |
| Food Services and Drinking Places | 571,589 | 404,323 | 569,320 | 637,266 | 650,931 |
| Other Retail Group | 535,534 | 749,876 | 725,819 | 712,377 | 694,430 |
| Total Retail and Food Services | 2,987,680 | 2,988,564 | 3,433,759 | 3,592,319 | 3,627,341 |
| All Other Outlets | 993,163 | 977,196 | 1,142,227 | 1,253,953 | 1,239,195 |
| Total All Outlets | $3,980,843 | $3,965,760 | $4,575,986 | $4,846,272 | $4,866,536 |

Note: Detail may not compute to total due to rounding.

Source: California Department of Tax and Fee Administration, *"Taxable Sales - Counties by Type of Business."*

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## Industry

The County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area ("MSA"). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2019 through 2023 are shown in the following table.

**SANTA CRUZ-WATSONVILLE MSA**
**WAGE AND SALARY WORKERS BY INDUSTRY (1)**

| | Calendar Year | | | | |
|---|---|---|---|---|---|
| **Industry** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Government | 22,400 | 21,100 | 20,200 | 18,800 | 19,300 |
| Other Services | 5,300 | 4,400 | 4,300 | 4,700 | 4,700 |
| Leisure and Hospitality | 14,800 | 10,300 | 11,800 | 14,000 | 14,500 |
| Educational and Health Services | 18,000 | 17,100 | 17,200 | 17,700 | 18,500 |
| Professional and Business Services | 10,900 | 10,400 | 10,600 | 10,700 | 9,900 |
| Financial Activities | 3,400 | 3,200 | 3,200 | 3,300 | 3,300 |
| Information | 600 | 600 | 600 | 600 | 600 |
| Transportation, Warehousing and Utilities | 1,700 | 1,700 | 2,000 | 2,200 | 2,100 |
| Service Producing | | | | | |
| Retail Trade | 11,700 | 10,800 | 11,000 | 11,000 | 10,800 |
| Wholesale Trade | 3,400 | 3,300 | 3,300 | 3,500 | 3,300 |
| Manufacturing | | | | | |
| Nondurable Goods | 3,400 | 3,100 | 3,300 | 3,700 | 3,500 |
| Durable Goods | 3,700 | 3,700 | 4,200 | 4,300 | 4,400 |
| Natural Resources, Mining and Construction | 4,500 | 4,400 | 4,800 | 5,000 | 5,100 |
| Total Nonfarm | 103,700 | 93,900 | 96,500 | 99,300 | 99,800 |
| Farm | 8,200 | 8,000 | 7,200 | 7,100 | 6,700 |
| Total (all industries) | 111,900 | 101,900 | 103,700 | 106,400 | 106,500 |

(1) Annual average.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, "*Industry Employment & Labor Force - by Annual Average.*"

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**Employment**

Civilian labor force, employment and unemployment statistics for the County, the State and the nation, for the years 2019 through 2023 are shown in the following table.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
**ANNUAL AVERAGES**

| Calendar Year | Civilian Labor Force | Employment | Unemployment | Unemployment Rate |
|---|---|---|---|---|
| 2019 | | | | |
| Santa Cruz County | 141,100 | 134,100 | 7,000 | 5.0% |
| California | 19,353,700 | 18,550,500 | 803,200 | 4.2 |
| United States | 163,539,000 | 157,538,000 | 6,001,000 | 3.7 |
| 2020 | | | | |
| Santa Cruz County | 133,600 | 120,900 | 12,700 | 9.5% |
| California | 18,821,200 | 16,913,100 | 1,908,100 | 10.1 |
| United States | 160,742,000 | 147,795,000 | 12,947,000 | 8.1 |
| 2021 | | | | |
| Santa Cruz County | 133,400 | 124,200 | 9,200 | 6.9% |
| California | 18,923,200 | 17,541,900 | 1,381,200 | 7.3 |
| United States | 161,204,000 | 152,581,000 | 8,623,000 | 5.3 |
| 2022 | | | | |
| Santa Cruz County | 134,200 | 127,800 | 6,400 | 4.8% |
| California | 19,252,000 | 18,440,900 | 811,100 | 4.2 |
| United States | 164,278,000 | 158,291,000 | 5,996,000 | 3.6 |
| 2023 | | | | |
| Santa Cruz County | 133,200 | 125,600 | 7,600 | 5.7% |
| California | 19,308,300 | 18,388,300 | 920,000 | 4.8 |
| United States | 167,116,000 | 161,037,000 | 6,080,000 | 3.6 |

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

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# APPENDIX E
# FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$13,000,000***
**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**
**2025 SPECIAL TAX PARITY BONDS**

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated as of March 12, 2025, is executed and delivered by the Santa Cruz Libraries Facilities Financing Authority (the "Authority"), acting on behalf of its Community Facilities District No. 2016-1 (the "District"), in connection with the above-referenced bonds (the "2025 Bonds").

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the 2025 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2025 Bond (including persons holding any 2025 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2025 Bond for federal income tax purposes.

*"Disclosure Representative"* means the Treasurer-Controller of the Authority, or such person's designee, or such other officer or employee of the Authority as the Authority shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

"*Dissemination Agent*" means Harrell & Company Advisors, LLC., or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Authority in connection with the issuance of the 2025 Bonds.

"*Participating Underwriter*" means, the original underwriter of the 2025 Bonds required to comply with the Rule in connection with offering of the 2025 Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The Authority shall, or shall cause the Dissemination Agent to, not later than the February 28 occurring after the end of each fiscal year of the Authority, commencing with the report for the 2024-25 fiscal year, which is due not later than February 28, 2026, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than 5 Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Authority.

(d) *Report of Non-Complianc*e. If the Authority is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the Authority shall in a timely manner send a notice to EMMA in an electronic format prescribed by the MSRB. If the Authority is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in a timely manner in an electronic format prescribed by the MSRB.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Authority's Annual Report shall contain or incorporate by reference the following:

(a) (a) *Financial Statements*. Audited financial statements of the Authority for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information*. The Annual Report for each fiscal year shall also include the following information:

(i) The principal amount of Bonds and any Parity Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.

(ii) The amount available to be drawn on the 2017 Reserve Policy, the amount available to be drawn on the 2020 Reserve Policy, the amount available to be drawn on the 2025 Reserve Policy and the amount to be drawn on any Qualified Reserve Fund Credit Instrument or other funds held in the Reserve Fund in connection with any Parity Bonds, and a statement of the Reserve Requirement for the 2017 Bonds, the 2020 Bonds, the 2025 Bonds and for any Parity Bonds, in each case, as of the September 30 next preceding the date of the Annual Report.

(iii) An update to Table No. 1 in the Official Statement using the then current year's Special Tax Levy.

(iv) An update to Table No. 3 in the Official Statement using the then current year's Special Tax Levy.

(v) An update to Table No. 6 in the Official Statement using the most recently available County assessed values.

(vi) A statement as to whether or not the Special Taxes are collected under the Teeter Plan (as described in the Official Statement); and if not, the percentage of the Special Tax levy for the most recent Fiscal Year that was delinquent as of a date not more than 45 days prior to the date of the Annual Report.

(vii) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 13.01(B) of the Fiscal Agent Agreement.

(c) *Cross References*. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on EMMA. The Authority shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information*. In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Authority shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The Authority shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2025 Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) 2025 Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the Authority or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the Authority or an obligated person, or the sale of all or substantially all of the assets of the Authority or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

(b) The Authority shall, or shall cause the Dissemination Agent (if not the Authority) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2025 Bonds under the Fiscal Agent Agreement.

(c) The Authority acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2025 Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2025 Bonds. The Authority shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Authority obtains knowledge of the occurrence of any of these Listed Events, the Authority will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Authority will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2025 Bonds.

Section 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days' written notice to the Authority.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affected its duties or obligations and further provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2025 Bonds, or type of business conducted;

(b) *Compliance as of Issue Date*. The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The proposed amendment or waiver either (i) is approved by holders of the 2025 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2025 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Authority fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2025 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Authority hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Authority, the 2025 Bond holders or any other party. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025 Bonds.

(b) The Dissemination Agent shall be paid compensation by the Authority for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2025 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March 12, 2025

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

By: ____________________________________________
Edith Driscoll,
Treasurer-Controller

AGREED AND ACCEPTED:
HARRELL & COMPANY ADVISORS, LLC,
as Dissemination Agent

By: ______________________________________

# APPENDIX F

# DTC AND THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2025 Bonds, payment of principal, interest and other payments on the 2025 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2025 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the 2025 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2025 Bonds (the "Agent") take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2025 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2025 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2025 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of

AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or

Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

# APPENDIX G

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY

# SECOND SUPPLEMENTAL FISCAL AGENT AGREEMENT

**Dated as of March 1, 2025**

**by and between the**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**

**as Fiscal Agent**

**Relating to:**

**$_____________**
**Santa Cruz Libraries Facilities Financing Authority**
**Community Facilities District No. 2016-1,**
**2025 Special Tax Parity Bonds**

**TABLE OF CONTENTS**

Page

ARTICLE X
STATUTORY AUTHORITY AND DEFINITIONS

Section 10.01. Authority for this First Supplemental Agreement .......... 3
Section 10.02. Equal Security .......... 3
Section 10.03. Definitions .......... 3

ARTICLE XI
THE 2020 BONDS

Section 11.01. Principal Amount; Designation .......... 6
Section 11.02. Terms of the 2020 Bonds .......... 6
Section 11.03. Redemption .......... 7
Section 11.04. Form of 2020 Bonds .......... 10

ARTICLE XII
ISSUANCE OF 2020 BONDS

Section 12.01. Issuance and Delivery of 2020 Bonds .......... 11
Section 12.02. Bonded Indebtedness Limit .......... 11
Section 12.03. Application of Proceeds of 2020 Bonds .......... 11
Section 12.04. Improvement Fund .......... 11
Section 12.05. Costs of Issuance Fund .......... 12
Section 12.06. Reserve Fund .......... 13

ARTICLE XIII
ADDITIONAL PROVISIONS

Section 13.01. Reporting Requirements .......... 14
Section 13.02. Provisions Relating to 2020 Reserve Policy .......... 15
Section 13.03. Applicable Law .......... 15
Section 13.04. Conflict with Act .......... 16
Section 13.05. Conclusive Evidence of Regularity .......... 16
Section 13.06. Confirmation of Original Fiscal Agent Agreement; Conflict With Original Fiscal Agent Agreement .......... 16
Section 13.07. Counterparts .......... 16

Exhibit A Form of Bond
Exhibit B Improvement Fund – Payment Request
Exhibit C Costs of Issuance – Payment Request
Exhibit D Provisions Relating to 2025 Bond Insurance Policy and 2025 Reserve Policy

**SECOND SUPPLEMENTAL**
**FISCAL AGENT AGREEMENT**

**$_____________**
**Santa Cruz Libraries Facilities Financing Authority**
**Community Facilities District No. 2016-1,**
**2025 Special Tax Parity Bonds**

THIS SECOND SUPPLEMENTAL FISCAL AGENT AGREEMENT (this “Second Supplemental Agreement”) is made and entered into and dated as of March 1, 2025, by and between Santa Cruz Libraries Facilities Financing Authority (the “Authority”) for and on behalf of the Authority’s Community Facilities District No. 2016-1 (the “District”), and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

## *RECITALS*

A. The City of Santa Cruz, the City of Scotts Valley, the City of Capitola and the County of Santa Cruz previously entered into an Amended and Restated Joint Exercise of Powers Agreement dated as of February 28, 2017, in order to establish a joint powers authority under the Joint Powers Act (as herein defined) for the purpose of financing the acquisition, construction and improvement of public library facilities through the formation of a community facilities district.

B. The Board of the Authority (the “Board”) has formed the District under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311, et seq. of the California Government Code) (the “Act”) and Resolution No. 2016-001 of the Board adopted on February 11, 2016 (the “Resolution of Formation”).

C. The Board, as the legislative body of the District, is authorized under the Act to levy special taxes to pay for the costs of authorized facilities within the District and to authorize the issuance of bonds secured by said special taxes under the Act to pay for the costs of authorized facilities within the District.

D. Under the Act, on June 15, 2017, the Authority issued the first series of bonds under this authorization captioned “Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds” (the “2017 Bonds”), in the original principal amount of $21,170,000, under a Fiscal Agent Agreement dated as of June 1, 2017 (the “Original Agreement”) between the Authority and the Fiscal Agent.

E. Under the Act, on March 12, 2020, the Authority issued the second series of bonds under this authorization captioned “Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds” (the “2020 Bonds”), in the original principal amount of $18,590,000, under a First Supplemental Fiscal Agent Agreement dated as of March 1, 2020 (the “First Supplemental Agreement”) between the Authority and the Fiscal Agent.

F. The Authority wishes to pay for the costs of additional authorized facilities within the District, and for this purpose, proposes to issue an additional series of bonds under this authorization captioned “Santa Cruz Libraries Facilities Financing Authority Community Facilities

District No. 2016-1, 2025 Special Tax Parity Bonds" (the "2025 Bonds"), which will constitute a series of Parity Bonds under Section 2.14 of the Original Agreement.

G. Under the Act, on ______________, 2025, the Board of the Authority adopted its Resolution No. _____________ (the "Resolution"), authorizing the issuance and sale of the 2025 Bonds in an original principal amount not to exceed $14,000,000, provided that such issuance would be in accordance with the Act, the Original Agreement and this Second Supplemental Agreement, and authorized the execution hereof.

H. It is in the public interest and for the benefit of the Authority, the District and the owners of the 2025 Bonds (the "Owners") that the Authority enter into this Second Supplemental Agreement to provide for the issuance of the 2025 Bonds, the disbursement of proceeds of the 2025 Bonds, the disposition of the special taxes securing the 2025 Bonds and the administration and payment of the 2025 Bonds.

I. All things necessary to cause the 2025 Bonds, when executed by the Authority and issued as in the Act, the Resolution and this Second Supplemental Agreement to be legal, valid and binding, and special obligations of the Authority in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Second Supplemental Agreement and the creation, authorization, execution and issuance of the 2025 Bonds, subject to the terms hereof, have in all respects been duly authorized.

**NOW, THEREFORE, IN CONSIDERATION** of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE X
## STATUTORY AUTHORITY AND DEFINITIONS

**Section 14.01. Authority for this Second Supplemental Agreement.** This Second Supplemental Agreement is entered into pursuant to the provisions of the Act, the Original Agreement and the Resolution.

**Section 14.02. Equal Security.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the Owners.

As Parity Bonds issued pursuant to the Original Agreement, the 2025 Bonds shall be secured by a lien and charge upon the Net Special Taxes and the Bond Fund and Special Tax Fund established under the Original Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds and 2020 Bonds, except for the separate reserve accounts securing each respective series of Bonds.

From and after the Closing Date, all references to "Bonds" in the Original Agreement shall be deemed to be a reference to the 2017 Bonds, the 2020 Bonds, the 2025 Bonds and any other Parity Bonds issued and Outstanding under the Original Agreement, except to the extent provided in Section 4.04 of the Original Agreement and in any supplement to the Original Agreement.

All of the Bonds, without regard to the time or times of their issuance or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Original Agreement and this Second Supplemental Agreement. The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

**Section 14.03. Definitions.** Unless the context otherwise requires, for all purposes of this Second Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, the capitalized terms in this Second Supplemental Agreement shall have the respective meanings set forth in this Section and in the Original Agreement.

All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Original Agreement and this Second Supplemental Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Second Supplemental Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"***Bond Year***" means the one-year period beginning on September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year for the 2025 Bonds will begin on the Closing Date and end on September 1, 2025.

"***Bonds***" means the 2017 Bonds, the 2020 Bonds, the 2025 Bonds, and any additional Parity Bonds issued under the Original Agreement, except as provided in Section 4.04 of the Original Agreement and in the definition of Reserve Requirement in the Original Agreement.

"***City of Santa Cruz 2025 Account of the Improvement Fund***" means the account of the Improvement Fund established pursuant to Section 16.04.

“***Closing Date***” means, with respect to the 2025 Bonds, _______________, 2025, being the date upon which there is delivery of the 2025 Bonds in exchange for the amount representing the purchase price of the 2025 Bonds by the Original Purchaser.

“***Costs of Issuance***” means items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of the Bonds, including without limitation: printing costs and costs of reproducing and binding documents; closing costs; filing and recording fees; rating agency fees; initial fees and charges of the Fiscal Agent, including its first annual administration fee and fees and expenses of its counsel; expenses incurred by the Authority in connection with the issuance of the Bonds and the establishment of the District; Tax Consultant fees and expenses; bond underwriter’s discount (if applicable); legal fees and charges, including bond counsel, disclosure counsel, and Authority general counsel; municipal advisor fees and expenses; fees and charges related to the offering and sale of the Bonds; the premium for the 2025 Bond Insurance Policy and the 2025 Reserve Policy, charges for execution, transportation and safekeeping of the Bonds; and other costs, charges and fees in connection with the foregoing.

“***Fiscal Agent Agreement***” means the Original Agreement as supplemented by the First Supplemental Agreement and this Second Supplemental Agreement.

“***Interest Payment Dates***” means, with respect to the 2025 Bonds, March 1 and September 1 of each year, commencing September 1, 2025.

“***Original Purchaser***” means ______________________, the first purchaser of the 2025 Bonds from the Authority.

“***Participating Underwriter***” has the meaning given in the Continuing Disclosure Certificate.

"***Qualified Reserve Fund Credit Instrument***" means the 2025 Reserve Policy, and any irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited in the 2025 Account of the Reserve Fund, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent:

> (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company;
>
> (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months;
>
> (c) such letter of credit or surety bond has a stated amount at least equal to the Reserve Requirement for the 2025 Bonds (or, if being substituted for a portion of the cash on deposit in the 2025 Account of the Reserve Fund or another Qualified Reserve Fund Credit Instrument, equal to the funds proposed to be released or to the amount available to be drawn on the Qualified Reserve Fund Credit Instrument to be released); and

(d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2025 Bonds.

***"Reserve Requirement***" means, with respect to the 2025 Bonds, as of any date of calculation, an amount equal to 50% of the least of the following:

(i) the then-Maximum Annual Debt Service with respect to the 2025 Bonds,

(ii) 125% of the then average Annual Debt Service with respect to the 2025 Bonds, or

(iii) 10% of the initial principal amount of the 2025 Bonds.

"***Resolution***" means Resolution No. _______________, adopted by the Board on _________________, 2025, authorizing issuance of the 2025 Bonds.

"***2017 Bonds***" means the bonds captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds."

"***2020 Bonds***" means the bonds captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds."

"***2025 Bonds***" means the bonds captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2025 Special Tax Parity Bonds."

"***2025 Account of the Costs of Issuance Fund***" means the account of the Costs of Issuance Fund established pursuant to Section 16.05.

"***2025 Account of the Reserve Fund***" means the account of the Reserve Fund established pursuant to Section 16.06.

"***2025 Bond Insurance Policy***" means the Municipal Bond Insurance Policy (Policy No. ____________________) issued by the 2025 Bond Insurer on the Closing Date that guarantees the scheduled payment of principal of and interest on the 2025 Bonds when due.

"***2025 Bond Insurer***" means ___________________________.

"***2025 Bonds Continuing Disclosure Certificate***" means that certain Continuing Disclosure Certificate with respect to the 2025 Bonds executed by the Authority with Harrell & Company Advisors, LLC, as dissemination agent, dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"***2025 Reserve Policy***" means the debt service reserve insurance policy (Policy No. ____________________) to be issued by the 2025 Bond Insurer on the Closing Date and deposited into the 2025 Account of the Reserve Fund in satisfaction of the initial Reserve Requirement with respect to the 2025 Bonds.

## ARTICLE XI

## THE 2025 BONDS

**Section 15.01. Principal Amount; Designation.** The 2025 Bonds, in the aggregate original principal amount of $_________________, are hereby authorized to be issued by the Authority under and subject to the terms of the Original Agreement, the Resolution, this Second Supplemental Agreement, the Act and other applicable laws of the State of California.

The 2025 Bonds shall be designated as the "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2025 Special Tax Parity Bonds."

**Section 15.02. Terms of the 2025 Bonds.**

(A) Form; Denominations. The 2025 Bonds shall be issued as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple in excess thereof.

(B) Date of 2025 Bonds. The 2025 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers shall be imprinted on the 2025 Bonds, but such numbers will not constitute a part of the contract evidenced by the 2025 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2025 Bonds. In addition, failure on the part of the Authority or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the Authority's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities, Interest Rates. The 2025 Bonds shall mature and become payable on September 1 in each of the years, and shall bear interest at the rates per annum, as follows:

| Maturity Date (September 1) | Principal Amount | Interest Rate |
|---|---|---|
| *Serial Bonds* | | |

| Maturity Date (September 1) | Principal Amount | Interest Rate |
|---|---|---|

*Term Bonds*

(E) Interest. The 2025 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2025 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless:

(i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

(iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date;

provided, however, that if at the time of authentication of a 2025 Bond, interest is in default thereon, such 2025 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2025 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to each registered Owner thereof at the registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer (i) to the Depository (so long as the 2025 Bonds are in book-entry form pursuant to Section 2.13), or (ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of $1,000,000 or more in aggregate principal amount of 2025 Bonds, which shall continue in effect until revoked in writing, or until such 2025 Bonds are transferred to a new Owner.

The principal of the 2025 Bonds is payable by check in lawful money of the United States of America upon surrender of the 2025 Bonds at the Principal Office of the Fiscal Agent. All 2025 Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2025 Bonds and issue a certificate of destruction thereof to the Authority.

**Section 15.03. Redemption.**

(A) *Redemption.*

(i) *Optional Redemption*. The 2025 Bonds maturing on or after September 1, 2035, are subject to optional call and redemption prior to maturity, on any date on or after

September 1, 2034, as a whole or in part among such maturities as are selected by the Authority and by lot within a maturity, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the 2025 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) *[reserved]*

(iii) *Mandatory Sinking Payment Redemption*. The 2025 Bonds maturing on September 1, 20__, are subject to mandatory sinking payment redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20__ Term Bonds

| Sinking Fund Redemption Date (September 1) | Sinking Payments |
|---|---|
| 20__ (maturity) | |

The 2025 Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20__ Term Bonds

| Sinking Fund Redemption Date (September 1) | Sinking Payments |
|---|---|
| 20__ (maturity) | |

The amounts in the foregoing tables shall be reduced pro rata as a result of any prior partial optional redemption of the 2025 Bonds under subsection (i) above, as specified by the Treasurer-Controller, which shall include a revised sinking fund schedule, to the Fiscal Agent.

(B) *Notice to Fiscal Agent.* The Authority shall give the Fiscal Agent written notice of its intention to redeem 2025 Bonds pursuant to subsection (A)(i) above not less than 45 days prior to the applicable redemption date, or such fewer number of days as may be allowed by the Fiscal Agent, and shall specify the principal amount and maturities of the 2025 Bonds to be redeemed.

(C) *Purchase of 2025 Bonds in Lieu of Redemption*. In lieu of any redemption under subsection (A) above, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2025 Bonds, upon the filing with the Fiscal Agent of a written direction of the Treasurer-Controller requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such written direction may provide, but in no event may 2025 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(D) *Redemption Procedure by Fiscal Agent*. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Original Purchaser, to the Securities Depositories and to the respective registered Owners of any 2025 Bonds designated for redemption, at their addresses appearing on the Bond Register, and filed electronically with the Information Service; but such mailing and filing shall not be a condition precedent to such redemption, and failure to mail or file, as applicable, or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2025 Bonds.

Such notice shall:

(i) state the redemption date and the redemption price and, if less than all of the then Outstanding 2025 Bonds are to be called for redemption, shall designate the CUSIP numbers and bond numbers of the 2025 Bonds to be redeemed by giving the individual CUSIP number and bond number of each 2025 Bond to be redeemed or shall state that all 2025 Bonds between two stated bond numbers, both inclusive, are to be redeemed or that all of the 2025 Bonds of one or more maturities have been called for redemption;

(ii) state as to any 2025 Bond called in part the principal amount thereof to be redeemed;

(iii) require that the 2025 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price or such other place of payment as may be designated in said notice;

(iv) state that further interest on the 2025 Bonds will not accrue from and after the redemption date; and

(v) for optional redemption state whether the notice is conditioned on the availability of funds.

Upon the payment of the redemption price of 2025 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2025 Bonds being redeemed with the proceeds of such check or other transfer.

Upon surrender of 2025 Bonds redeemed in part only, the Authority shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the Authority, a new 2025 Bond or 2025 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2025 Bond or 2025 Bonds.

(E) *Selection of 2025 Bonds for Redemption*. Whenever provision is made in this Second Supplemental Agreement for the redemption of less than all of the 2025 Bonds of a single maturity of the same issue, the Fiscal Agent shall select the 2025 Bonds of that maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. For purposes of such selection, the Fiscal Agent shall treat each 2025 Bond as consisting of separate $5,000 portions and each such portion shall be subject to redemption as if such portion were a separate 2025 Bond.

(F) *Conditional Redemption Notice and Rescission of Redemption*. Any notice of optional redemption under subsection (A)(i) above may specify that redemption of the 2025 Bonds designated for redemption on the specified date will be subject to the receipt by the Authority or the Fiscal Agent, as applicable, of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2025 Bonds, or any other party, as a result of the Authority's failure to redeem the 2025 Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the Authority may rescind any optional redemption of the 2025 Bonds under subsection (A)(i) above, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the 2025 Bonds so called for redemption.

Notice of cancellation of redemption or rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any 2025 Bond of notice of such cancellation or rescission will not be a condition precedent to cancellation or rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the cancellation of redemption or rescission. Neither the Authority nor the Fiscal Agent will have any liability to the Owners of any 2025 Bonds, or any other party, as a result of the Authority's decision to cancel or rescind a redemption of any 2025 Bonds pursuant to this Second Supplemental Agreement.

(G) *Effect of Redemption*. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest on, the 2025 Bonds so called for redemption have been deposited in the Bond Fund, such 2025 Bonds so called shall cease to be entitled to any benefit under the Original Agreement and this Second Supplemental Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All 2025 Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2025 Bonds and issue a certificate of destruction thereof to the Authority.

**Section 15.04. Form of 2025 Bonds**. The 2025 Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Second Supplemental Agreement, the Resolution and the Act.

## ARTICLE XII

## ISSUANCE OF 2025 BONDS

**Section 16.01. Issuance and Delivery of 2025 Bonds.** At any time after the execution of this Second Supplemental Agreement, the Authority may issue the 2025 Bonds in the aggregate principal amount set forth in Section 15.01 and deliver the 2025 Bonds to the Original Purchaser.

The Authorized Officers of the Authority are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the 2025 Bonds in accordance with the provisions of the Act, the Resolution, the Original Agreement and this Second Supplemental Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2025 Bonds and to do and cause to be done any and all acts and things necessary or convenient for delivery of the 2025 Bonds to the Original Purchaser.

**Section 16.02. Bonded Indebtedness Limit**. Following the issuance of the 2020 Bonds, the remaining unissued amount of authorized bonded indebtedness of the District was $27,240,000. As a result of the issuance of the 2025 Bonds, the remaining unissued amount of authorized bonded indebtedness of the District is $__________________.

**Section 16.03. Application of Proceeds of 2025 Bonds.** The net proceeds of the purchase of the 2025 Bonds by the Original Purchaser in the amount of $________________ (calculated as the principal amount of the 2025 Bonds of $________________, less the Original Purchaser's discount of $__________________, plus net original issue premium of $________________, [less $____________ representing the premium for the 2025 Bond Insurance Policy and $_____________ representing the premium for the 2025 Reserve Policy to be paid by the Original Purchaser directly to the 2025 Bond Insurer]) shall be paid to the Fiscal Agent on the Closing Date, who shall immediately apply such proceeds as follows:

(A) $_____________ to the 2025 Account of the Costs of Issuance Fund;

(B) $______________ to the Improvement Fund, which shall be allocated to the City of Santa Cruz 2025 Account within the Improvement Fund.

The Fiscal Agent may establish additional accounts and subaccounts as the Fiscal Agent deems necessary for purposes of this Second Supplemental Agreement.

**Section 16.04. Improvement Fund.**

(A) *Establishment of Improvement Fund Accounts*. To the extent previously closed by the Fiscal Agent, the Improvement Fund is hereby reestablished under Section 4.02 of the Original Agreement, and within the Improvement Fund there is hereby established a separate account to be held by the Fiscal Agent designated as the "City of Santa Cruz 2025 Account."

The Fiscal Agent shall credit to the City of Santa Cruz 2025 Account the deposit required by Section 16.03. Further deposits into the City of Santa Cruz 2025 Account shall be made as provided in subsection (C) below and Section 16.05(C).

Moneys deposited in the City of Santa Cruz 2025 Account of the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Authority and shall be disbursed for the payment or reimbursement of costs of the Project in accordance with the JCFA.

(B) *Procedure for Disbursement*. Disbursements from the City of Santa Cruz 2025 Account of the Improvement Fund shall be made by the Fiscal Agent upon receipt of a written direction executed by the member of the Board representing the member of the Authority to which that account pertains, and countersigned by an Authorized Officer, in the form attached hereto as Exhibit B.

(C) *Investment*. Moneys in the City of Santa Cruz 2025 Account of the Improvement Fund shall be invested in accordance with Section 6.01 of the Original Agreement. Interest earnings and profits from such investment shall be deposited and credited by the Fiscal Agent to the City of Santa Cruz 2025 Account of the Improvement Fund.

(D) *Closing of Fund*. Upon the filing of written direction of an Authorized Officer stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund (and the City of Santa Cruz 2025 Account therein) to the Bond Fund to be used to pay interest on the Bonds on the next Interest Payment Date. Upon such transfer, the Improvement Fund shall be closed.

**Section 16.05. Costs of Issuance Fund.**

(A) *Establishment of 2025 Account of the Costs of Issuance Fund*. To the extent previously closed by the Fiscal Agent, the Costs of Issuance Fund is hereby reestablished under Section 4.03 of the Original Agreement, and there is hereby established a separate account to be held by the Fiscal Agent designated as the "2025 Account," to the credit of which a deposit shall be made as required by Section 16.03.

Moneys in the 2025 Account of the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) below for the payment or reimbursement of Costs of Issuance related to the 2025 Bonds.

(B) *Disbursement*. Amounts in the 2025 Account of the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance related to the 2025 Bonds, as set forth in a requisition in the form attached hereto as Exhibit C containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the 2025 Bonds and from time to time thereafter. The Fiscal Agent shall pay all Costs of Issuance related to the 2025 Bonds after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee pursuant to a requisition requesting payment of Costs of Issuance.

(C) *Closing of Fund*. The Fiscal Agent shall maintain the 2025 Account of the Costs of Issuance Fund for a period of 90 days after the Closing Date and then shall transfer any moneys remaining therein not required for payment of Costs of Issuance, including any investment earnings thereon, to the 2025 Accounts of the Improvement Fund in amounts based on the proportional share of 2025 Bond proceeds allocated to each 2025 Account of the Improvement Fund pursuant to Section 16.03(B) above. Upon such transfer, the 2025 Account of the Costs of Issuance Fund shall be closed.

(D) *Investment*. Moneys in the 2025 Account of the Costs of Issuance Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the 2025 Account of the Costs of Issuance Fund to be used for the purposes thereof.

**Section 16.06. Reserve Fund**.

(A) *Establishment of 2025 Account of Reserve Fund*. Within the Reserve Fund established under Section 4.04 of the Original Agreement, there is hereby established a separate account to be held by the Fiscal Agent designated as the "2025 Account."

On the Closing Date the Fiscal Agent shall credit the 2025 Reserve Policy to the 2025 Account of the Reserve Fund in satisfaction of the Reserve Requirement for the 2025 Bonds. Future deposits shall be made to the 2025 Account of the Reserve Fund as provided in Section 4.06(B).

Moneys or Qualified Reserve Fund Credit Instruments, including the 2025 Reserve Policy, in the 2025 Account of the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the 2025 Bonds as a reserve for the payment of principal of, and interest on, the 2025 Bonds and shall be subject to a lien in favor of the Owners of the 2025 Bonds.

The 2025 Account of the Reserve Fund shall secure only the payment of debt service on the 2025 Bonds. The 2017 Bonds, the 2020 Bonds, and additional Parity Bonds, if and to the extent issued, shall not be secured by the 2025 Account of the Reserve Fund.

(B) *Use of 2025 Account of the Reserve Fund*. Except as otherwise provided in this Section, all amounts deposited in the 2025 Account of the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the 2025 Bonds.

So long as the 2025 Account of the Reserve Fund is funded solely with the 2025 Reserve Policy or another Qualified Reserve Fund Credit Instrument, no amounts shall be transferred from the 2025 Account of the Reserve Fund upon prepayment of Special Taxes.

(C) *Transfer Due to Deficiency in Bond Fund*. Whenever transfer is made from the 2025 Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to an Authorized Officer, specifying the amount withdrawn.

(D) *Substitution of Qualified Reserve Fund Credit Instrument*. The Authority shall have the right at any time to direct the Fiscal Agent to release the 2025 Reserve Policy, or any other Qualified Reserve Fund Credit Instrument, from the 2025 Account of the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent:

(i) a Qualified Reserve Fund Credit Instrument, and

(ii) an opinion of Bond Counsel stating that such release will not, of itself, cause interest on the 2025 Bonds to become includable in gross income for purposes of federal income taxation.

If a Qualified Reserve Fund Credit Instrument on deposit in the 2025 Account of the Reserve Fund has a stated expiration date prior to the final maturity of the 2025 Bonds, the Authority shall replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Account Credit Instrument prior to the stated expiration date; provided, however, that if the Authority fails to replace an expiring Qualified Reserve Fund Credit Instrument, the Fiscal Agent shall draw on such Qualified Reserve Fund Credit Instrument before such expiration and deposit the proceeds of such draw in the 2025 Account of the Reserve Fund.

If more than one Qualified Reserve Fund Credit Instrument is on deposit in the 2025 Account of the Reserve Fund, and the Fiscal Agent is otherwise required hereunder to draw on such Qualified Reserve Fund Credit Instruments, the Fiscal Agent will draw pro rata on each such Qualified Reserve Fund Credit Instrument, and the Special Taxes thereafter received by the Fiscal Agent and designated for 2025 Account of the Reserve Fund replenishment shall be used to reinstate each Qualified Reserve Account Credit Instrument pro rata.

Notwithstanding any other provision of this Second Supplemental Agreement, the Authority is not required to replace the 2025 Reserve Policy or any Qualified Reserve Fund Credit Instrument, or deposit cash in the 2025 Account of the Reserve Fund, if the provider of the 2025 Reserve Policy or any other Qualified Reserve Fund Credit Instrument is downgraded by S&P or Moody's or fails to honor a draw thereon; it being the intent of the Authority that if the 2025 Reserve Policy or other Qualified Reserve Fund Credit Instrument meets the requirements of this Second Supplemental Agreement at the time it is delivered to the Fiscal Agent, it will remain a Qualified Reserve Fund Credit Instrument for its stated term.

## ARTICLE XIII

## ADDITIONAL PROVISIONS

**Section 17.01. Reporting Requirements**.

(A) *Continuing Disclosure*. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the 2025 Bonds Continuing Disclosure Certificate. Notwithstanding any other provision of this Second Supplemental Agreement, failure of the Authority to comply with the 2025 Bonds Continuing Disclosure Certificate shall not be considered a default hereunder; however, any Participating Underwriter or any Owner or beneficial owner of the 2025 Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

(B) *Annual Reporting*. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2025 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the 2025 Bonds, an Authorized Officer shall cause the following information to be supplied to CDIAC and to the Original Purchaser: (i) the principal amount of the 2025 Bonds and of any Parity Bonds Outstanding; (ii) the balance in the 2025 Account of the Reserve Fund and in any reserve fund for Parity Bonds; (iii) the number of parcels in the District that are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (iv) the balances in the accounts within the Improvement Fund; and (iv) the assessed value of all parcels in the District subject to the levy of the Special Taxes as shown in the most recent equalized roll.

No later than January 31 of each calendar year (commencing with the January 31 following the Closing Date), the Authority agrees to provide to CDIAC the annual report information required by Section 8855(k)(1) of the California Government Code.

These annual reports shall be made using such form or forms as may be prescribed by CDIAC.

Additionally, no later than January 31 of each calendar year (commencing with the January 31 following the Closing Date), the Authority agrees to provide to the California State Controller, Division of Accounting and Reporting, the annual report information required by Section 12463.2 of the California Government Code.

(C) *Other Reporting*. If at any time the Fiscal Agent fails to pay principal and interest due or any portion thereof on any scheduled payment date for the 2025 Bonds, or if funds are withdrawn from the 2025 Account of the Reserve Fund (including resulting from draws on the 2025 Reserve Policy or another Qualified Reserve Fund Credit Instrument) to pay principal and interest on the 2025 Bonds, the Fiscal Agent shall notify an Authorized Officer of such failure or withdrawal in writing. An Authorized Officer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal.

(D) *Amendment.* The reporting requirements of this Section shall be amended from time to time, without action by the Authority or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, Section 8855(k)(1) of the California Government Code, or Section 12463.2 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the Authority's obligations under Sections 3 or 4 of the 2025 Bonds Continuing Disclosure Certificate.

(E) *No Liability*. None of the Authority and its officers, agents and employees, the Authorized Officers, or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section.

An Authorized Officer shall provide copies of any of such reports to any Owner upon the written request of an Owner and payment by the requesting Owner of the cost to the Authority to produce such information and payment of any postage or other delivery cost to provide the same, as determined by the Authorized Officer. The term "Owner" for purposes of this Section shall include any beneficial owner of the 2025 Bonds.

**Section 17.02. Provisions Relating to 2025 Bond Insurance Policy and 2025 Reserve Policy.** Notwithstanding anything to the contrary contained in this Second Supplemental Agreement, the provisions of Exhibit D shall govern with regard to the 2002 Bond Insurance Policy and the 2025 Reserve Policy and the rights of the 2025 Bond Insurer under this Second Supplemental Agreement.

**Section 17.03. Applicable Law**. This Second Supplemental Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

**Section 17.04. Conflict with Act.** In the event of a conflict between any provision of this Second Supplemental Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Second Supplemental Agreement.

**Section 17.05. Conclusive Evidence of Regularity.** The 2025 Bonds issued pursuant to this Second Supplemental Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

**Section 17.06. Confirmation of Original Fiscal Agent Agreement; Conflict With Original Fiscal Agent Agreement.** This Second Supplemental Agreement and all the terms and provisions herein contained shall form part of the Original Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Agreement.

The Original Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

All representations, covenants, warranties and other provisions of the Original Agreement, unless specifically amended, modified or supplemented by this Second Supplemental Agreement, are hereby confirmed as applicable to this Second Supplemental Agreement. In the event of any conflict between the provisions of this Second Supplemental Agreement and the Original Agreement, the provisions of this Second Supplemental Agreement shall govern.

**Section 17.07. Counterparts.** This Second Supplemental Agreement may be executed in counterparts, each of which shall be deemed an original.

**IN WITNESS WHEREOF**, the Authority and the Fiscal Agent have caused this Second Supplemental Agreement to be executed as of the date first above written.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

By: ________________________________
Treasurer-Controller

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent

By: ________________________________
Authorized Officer

## EXHIBIT A

## FORM OF BOND

No. $____________

**UNITED STATES OF AMERICA**
**STATE OF CALIFORNIA**
**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**
**2025 SPECIAL TAX PARITY BOND**

| INTEREST RATE | MATURITY DATE | DATED DATE | CUSIP |
|---|---|---|---|
| % | September 1, ____ | March __, 2025 | __________ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

The Santa Cruz Libraries Facilities Financing Authority (the "Authority") for and on behalf of the Authority's Community Facilities District No. 2016-1 (the "District") for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the District or from amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date set forth above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing September 1, 2025, at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office (as defined in the Agreement referred to below) of The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each interest payment date to the registered owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs, whether or not such day is a Business Day, (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent, or (i) if the Bonds are in book-entry-only form, or (ii) otherwise upon written request filed with the Fiscal Agent prior to any Record Date by a registered owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the depository for the Bonds or to an account in the United States designated by such registered owner in such written request, respectively.

The issuance of this Bond was approved by the qualified electors of the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., of the California Government Code (the "Mello-Roos Act") for the purpose of financing the construction and acquisition of certain public library facilities within the District (the "Project"), and is one of the Bonds designated "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2025 Special Tax Parity Bonds" (the "Bonds") in the aggregate principal amount of $______________. The creation of the Bonds and the terms and conditions thereof are provided for by resolution adopted by the Board of the Authority, as legislative body of the

District, on ____________________, 2025 (the "Resolution"), the Fiscal Agent Agreement dated as of June 1, 2017, between the Authority and the Fiscal Agent (the "Agreement"), as supplemented by the First Supplemental Fiscal Agent Agreement dated as of March 1, 2020, between the Authority and the Fiscal Agent (the "First Supplemental Agreement") and the Second Supplemental Fiscal Agent Agreement dated as of March 1, 2025, between the Authority and the Fiscal Agent (the "Second Supplemental Agreement"). The Bonds are issued under the Agreement and the Second Supplemental Agreement. This reference incorporates the Resolution, the Agreement, and the Second Supplemental Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Resolution was adopted, the Agreement and the Second Supplemental Agreement were entered into under, and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California. All capitalized terms used herein, unless defined herein, shall have the meaning given such terms in the Agreement and the Second Supplemental Agreement, as applicable.

Pursuant to the Mello-Roos Act, the Resolution, the Agreement and the Second Supplemental Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within the District (the "Special Tax") and certain funds held under the Agreement and the Second Supplemental Agreement, on a parity with two series of bonds previously issued by the Authority captioned "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2017 Special Tax Bonds" and "Santa Cruz Libraries Facilities Financing Authority Community Facilities District No. 2016-1, 2020 Special Tax Parity Bonds," and any additional bonds authorized to be issued as Parity Bonds under the Agreement.

Interest on the Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on this Bond shall be payable from the interest payment date next preceding the date of authentication hereof, unless (i) it is authorized on an interest payment date, in which event it shall bear interest for such interest payment date, or (ii) such date of authentication is after a Record Date but on or prior to an interest payment date, in which event interest will be payable from such interest payment date, or (iii) such date of authentication is prior to the first Record Date, in which event interest will be payable from the Dated Date set forth above; provided however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment hereon.

Payment hereof shall be limited to the Net Special Taxes, except to the extent that provision for payment has been made by the Authority, as may be permitted by law. The Bonds do not constitute obligations of the Authority for which the Authority is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove.

The 2025 Bonds maturing on or after September 1, 2035, are subject to optional call and redemption prior to maturity, on any date on or after September 1, 2034, as a whole or in part among such maturities as are selected by the Authority and by lot within a maturity, from funds derived by the Authority from any source, at a redemption price equal to the principal amount of the 2025 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2025 Bonds maturing on September 1, 20__, are subject to mandatory sinking payment redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20__ Term Bonds

| Sinking Fund Redemption Date (September 1) | Sinking Payments |
|---|---|
| 20__ (maturity) | |

The 2025 Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption, in part, on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, as follows:

20__ Term Bonds

| Sinking Fund Redemption Date (September 1) | Sinking Payments |
|---|---|
| 20__ (maturity) | |

The amounts in the foregoing tables shall be reduced as a result of any prior partial optional redemption of the Bonds, as specified by an Authorized Officer to the Fiscal Agent.

If less than all of the Bonds are redeemed, the Bonds shall be redeemed by lot within a maturity, and among maturities in the manner specified in the Second Supplemental Agreement. Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Second Supplemental Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof and interest hereon shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between a Record Date and the succeeding Interest Payment Date. Exchanges may only be made for Bonds in authorized denominations as provided in the Agreement.

The Agreement contains provisions permitting the Authority to make provision for the payment of the interest on and the principal of any of the Bonds so that the Bonds shall no longer be deemed to be outstanding under the terms of the Agreement.

The Agreement and the Second Supplemental Agreement, and the rights and obligations of the Authority thereunder, may be modified or amended as set forth therein.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from the revenues and funds pledged therefor under the Agreement. Neither the faith and credit of the Authority or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been dated and signed by the Fiscal Agent.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Santa Cruz Libraries Facilities Financing Authority has caused this Bond to be signed by the Treasurer-Controller by her manual or facsimile signature and countersigned by the manual or facsimile signature of the Secretary of the Board.

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

By: ______________________________
Treasurer-Controller

ATTEST:

By: ______________________________

Secretary of the Board of the
Santa Cruz Libraries Facilities Financing Authority

## FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and in the Second Supplemental Agreement which has been authenticated on _______________, 2025.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Fiscal Agent

By: ________________________________
Authorized Officer

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto ______________________________________________________________________________ ______________________________________________________________________________ __________________________________________________________________ (Name, Address and Tax Identification or Social Security Number of Assignee) the within-registered Bond and hereby Irrevocably constitutes and appoints(s) ________________________________________ __________________________________ attorney, to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

Dated:

Signature Guaranteed:

| | |
|---|---|
| Note: Signature(s) must be guaranteed by an eligible guarantor. | Note: The signatures on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever. |

## EXHIBIT B

**$______________**
**Santa Cruz Libraries Facilities Financing Authority**
**Community Facilities District No. 2016-1**
**2025 Special Tax Parity Bonds**

**IMPROVEMENT FUND**

**PAYMENT REQUEST NO. ____**

The Fiscal Agent is hereby requested to pay from the Account of the Improvement Fund specified below, established by the Second Supplemental Fiscal Agent Agreement dated as of March 1, 2025, by and between the Fiscal Agent and Santa Cruz Libraries Facilities Financing Authority, to the person or corporation designated below as Payee, the sum set forth below such designations, in payment of a portion of the expenses authorized to be paid from the Improvement Fund described below.

The undersigned hereby certifies that:

(i) the disbursement is a proper expenditure from the specified Account of the Improvement Fund, and

(ii) no portion of the amount then being requested to be disbursed was set forth in any written direction previously filed requesting a disbursement.

Account of the Improvement Fund:

Payee:

Amount:

Description of Authorized Expense:

DATED: ______________, 20__

Authority Member
[County][City] of ________________

By ________________________________
Member of the Authority Board

Santa Cruz Libraries Facilities Financing Authority

By ________________________________
Authorized Officer

**EXHIBIT C**

**$_______________**
**Santa Cruz Libraries Facilities Financing Authority**
**Community Facilities District No. 2016-1**
**2025 Special Tax Parity Bonds**

**COSTS OF ISSUANCE**

**PAYMENT REQUEST NO. ____**

The Fiscal Agent is hereby requested to pay from the 2025 Account of the Costs of Issuance Fund established by the Second Supplemental Fiscal Agent Agreement dated as of March 1, 2025, by and between the Fiscal Agent and Santa Cruz Libraries Facilities Financing Authority, to the person or corporation designated below as Payee, the sum set forth below such designations, in payment of a portion of the Costs of Issuance described below. The amount shown below is due and payable under a purchase order or contract with respect to the Costs of Issuance described below, and has not formed the basis of any prior request for payment.

Payee:

Amount:

Description of Cost of Issuance:

Payee:

Amount:

Description of Cost of Issuance:

DATED: _________________, 2025 Santa Cruz Libraries Facilities Financing Authority

By _________________________________
Authorized Officer

## EXHIBIT D

## PROVISIONS RELATING TO 2025 BOND INSURANCE POLICY AND 2025 RESERVE POLICY

## OFFICIAL NOTICE OF SALE

**$13,000,000***
**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**
**2025 SPECIAL TAX PARITY BONDS**

NOTICE IS HEREBY GIVEN that electronic bids will be received in the manner described below through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") by the Santa Cruz Libraries Facilities Financing Authority (the "**Authority**") for the purchase of the special tax bonds captioned above (the "**Bonds**"). Bidding procedures and sale terms are as follows:

**Issue**: The Bonds are described in the Authority's Preliminary Official Statement for the Bonds dated February __, 2025 (the "**Preliminary Official Statement**").

**Time**: Bids for the Bonds must be received by the Authority by 9:30 a.m., California time, on February 20, 2025.

**Place**: Electronic bids must be submitted in the manner and subject to the terms and conditions described under "TERMS OF SALE—Form of Bids; Delivery of Bids" below, but no bid will be accepted after the time for receiving bids specified above.

**THE RECEIPT OF BIDS ON FEBRUARY 20, 2025, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE AUTHORITY THROUGH THOMSON REUTERS AND BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE—FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.** Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice in writing from the Authority's municipal advisor (the "**Municipal Advisor**"):

Harrell & Company Advisors, LLC
13891 Newport Avenue, Suite 145
Tustin, California 92780
Telephone: 714-939-1464
attention: Suzanne Harrell
email: s.harrell@harrellco.com

However, failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale of the Bonds. See "TERMS OF SALE—Postponement or Cancellation of Sale."

The Authority reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts for the maturities of the Bonds; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale of the Bonds. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE—Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement for additional information regarding the Authority, the District, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS—Official Statement." Capitalized terms used and not defined in this Official Notice of Sale have the meanings given to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in "TERMS OF SALE—Form of Bids; Delivery of Bids" below). If the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

## TERMS RELATING TO THE BONDS

**THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINION OF BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.**

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry only form in denominations of one Bond for each maturity of the Bonds, all dated the date of delivery, which is expected to be March 12, 2025. If the sale is postponed, notice of the new date of the sale will also set forth any new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof and the successful bidder (the "**Purchaser**") will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on September 1, 2025, and semiannually thereafter on March 1 and September 1 of each year (each an "**Interest Payment Date**"). Interest shall be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds. Bidders may specify any number of separate interest rates for the Bonds, and the same interest rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid for the Bonds must be a multiple of one-twentieth or one-eighth of one percent per annum;

(ii) the maximum interest rate bid for any maturity shall not exceed 5% per annum;

(iii) no Bond shall bear a zero rate of interest;

(iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest for the respective Bond specified in the bid; and

(v) all Bonds maturing at any one time shall bear the same rate of interest.

See the Preliminary Official Statement – "THE BONDS – Description of the Bonds."

Maximum Discount. All bids must be for not less than all of the Bonds hereby offered for sale and must provide for a purchase price of not less than 99% of the aggregate par amount thereof or more than 110% of the aggregate par amount thereof.

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on September 1 of each year, commencing on September 1, 2026, as shown below. Subject to the Authority's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), the final maturity of the Bonds shall be September 1, 2046. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Bonds is shown below for information purposes only. **Bidders for the Bonds must provide bids for all of the Bonds Principal Amounts.**

Subject to the Authority's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), and to adjustment as provided in this Notice of Sale (see "—Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

| Maturity Date (September 1) | Principal Amount* |
|---|---|
| 2026 | |
| 2027 | |
| 2028 | |
| 2029 | |
| 2030 | |
| 2031 | |
| 2032 | |
| 2033 | |
| 2034 | |
| 2035 | |
| 2036 | |
| 2037 | |
| 2038 | |
| 2039 | |
| 2040 | |
| 2041 | |
| 2042 | |
| 2043 | |
| 2044 | |
| 2045 | |
| 2046 | |
| TOTAL | |

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Authority with respect to the likely interest rates and reoffering yields of the winning bid and the premium/discount that will be contained in the winning bid. **The Authority reserves the right to change the principal payment schedule set forth above after the determination of the successful bidder, by adjusting one or more of the principal payments of the Bonds, in increments of $5,000, as determined in the sole discretion of the Authority, in order to provide sufficient proceeds to accomplish the purposes of the financing, reduce principal to eliminate excess proceeds due to a bid premium, and achieve approximately level annual debt service. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

**See also "TERMS OF SALE—Right to Modify or Amend," regarding the Authority's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.**

**A BIDDER AWARDED THE BONDS BY THE AUTHORITY WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING**

* Preliminary, subject to change.

**PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.**

Redemption.

(i) Optional Redemption of the Bonds. The Bonds are subject to optional call and redemption prior to maturity from funds derived by the Authority from any source on the dates and at the redemption prices set forth in the Preliminary Official Statement.

See the Preliminary Official Statement – "THE 2025 BONDS—Redemption of 2025 Bonds—Optional Redemption."

(ii) Mandatory Sinking Payment Redemption. If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such term bonds and continuing on September 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such maturity date set forth above under "Principal Payments," as adjusted pursuant to "Adjustment of Principal Payments" above. The Authority, at its option, may credit against any mandatory sinking fund redemption payment term bonds of the maturity then subject to redemption, which have been purchased and canceled by the Authority or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption payment.

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Jones Hall, A Professional Law Corporation, Bond Counsel to the Authority ("**Bond Counsel**"), will deliver its legal opinion as to the validity and enforceability of the Bonds.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B to the Preliminary Official Statement. A copy of the opinion of Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – "TAX MATTERS."

Bond Insurance. The Authority has obtained a commitment to issue a policy insuring the payment when due of principal of and interest on the Bonds from ___________. The Authority will pay any insurance premium and costs for any related ratings from the proceeds of the Bonds. The winning bidder will not have any responsibility for the payment of such premium and costs.

## TERMS OF SALE

Maximum Discount/Premium. All bids must provide for a purchase price of not less than 99% of the aggregate par amount of the Bonds nor more than 110% of the aggregate par amount of the Bonds. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) unconditional, and (3) submitted via Parity; and after the verbal award, an email copy of the completed and signed applicable Official Bid Form conforming to the Parity bid by the winning bidder, with any adjustments made by the Authority pursuant hereto must be submitted by the winning bidder. Electronic bids must conform to the procedures established by Parity. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder.

**All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids for the Bonds shall be rejected. No bid submitted to the Authority shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Authority retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Authority takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.**

Electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either the Municipal Advisor at the number provided above or Parity at: (212) 404-8107.

**Warnings Regarding Electronic Bids. Bids for the Bonds must be submitted electronically via Parity. However, none of the Authority, the Municipal Advisor or Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.**

**If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions:**

**(1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control;**

**(2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale;**

**(3) the Authority will not have any duty or obligation to provide or ensure access to Parity to any bidder, and the Authority will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity;**

**(4) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority;**

**(5) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity;**

**(6) the Authority may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory;**

**(7) if the bidder's bid is accepted by the Authority, the signed, completed and conforming Official Bid Form submitted by the bidder by email or facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and**

**(8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Authority unless that information is included in this Official Notice of Sale or the Official Bid Form.**

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost to the Authority. The true interest cost will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium or discount. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term Bonds specified by a bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. In the event that two or more bidders offer bids for the Bonds at the same true interest cost, the Authority will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Authority.

Estimate of True Interest Cost. Each bidder is requested, but not required, to supply an estimate of the true interest cost based upon its bid, which will be considered as informative only and not binding on either the bidder or the Authority.

Multiple Bids. If multiple bids with respect to the Bonds are received from a single bidder by any means or combination thereof, the Authority shall be entitled to accept the bid representing the lowest true interest cost to the Authority, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the Authority.

No Good Faith Deposit. No good faith deposit is required.

Establishment of Issue Price for the Bonds. In the event the Authority receives at least three (3) bona fide bids for the Bonds, then the Issue Price for the Bonds shall be established based on the reasonably expected initial offering prices of the Bonds as of the Sale Date (the "Expected Offering Prices"). The Expected Offering Prices shall consist of the prices for each maturity of the Bonds used by the winning bidder in formulating its bid to purchase the Bonds. The winning bidder shall be required to deliver on the date of original delivery of the Bonds to the winning bidder (the "Delivery Date") a certificate in the form attached hereto as Exhibit A (a "**Reoffering Price Certificate**"), and provide to the Authority and Bond Counsel, in writing, the Expected Offering Prices as of the Sale Date.

In the event the Authority receives fewer than three (3) bona fide bids for the Bonds, then the Issue Price for the Bonds shall be established based on the first price at which at least 10% of each maturity of the Bonds was sold to the Public (as defined below). The winning bidder shall be required to deliver on the Delivery Date a certificate to such effect, and provide to the Authority, in writing, evidence satisfactory to Bond Counsel to the Authority of such sales prices for each maturity of the Bonds. In the event that the winning bidder has not sold at least 10% of each maturity of the Bonds to the Public as of the Delivery Date (each, an "Unsold Maturity"), the winning bidder shall (i) provide to the Authority, in writing, on the Delivery Date, the Expected Offering Prices for each Unsold Maturity and a certificate regarding same and (ii) have a continuing obligation to provide to the Authority, in writing, evidence satisfactory to Bond Counsel to the Authority of the first price at which at least 10% of each Unsold Maturity is sold to the Public, contemporaneous with each such sale, until at least 10% of all such Unsold Maturities have been sold to the Public. The proposed form of such certificate with respect to the Issue Price of the Bonds will be provided upon request to the Municipal Advisor.

As used herein, the term "Sale Date" means the date on which bids are received for the purchase of the Bonds, being February 20, 2025 (or such other date to which the sale of the Bonds is postponed as described above). The term "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (as defined herein) or a related party to an Underwriter. The term "related party" generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly. As used herein, the term "Underwriter" means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

For the purposes of this paragraph, sales of the Bonds to the other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The Authority reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the Authority's right to adjust the payment amounts of the Bonds as provided in "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments" the Authority reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Notice of Sale (see "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale of the Bonds.

Postponement or Cancellation of Sale. The Authority may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Authority will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 24 hours after the time for receipt of bids for the Bonds, unless such time period is waived by the Purchaser.

## CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about March 12, 2025.** Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the Fiscal Agent. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Authority will deliver to the Purchaser, dated as of the delivery date, the legal opinion with respect to the Bonds described in Appendix B to the Preliminary Official Statement.

Qualification for Sale. The Authority will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Authority may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; provided, that the Authority will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. Upon delivery of the Bonds, the Authority will deliver a certificate stating that no litigation of any nature is pending, or to the knowledge of the officer of the Authority executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the Authority, or concerning the validity of the Bonds, the ability of the Authority to levy and collect the special taxes required to pay debt service on the Bonds, the corporate existence of the Authority, or the entitlement of any officers of the Authority who will execute the Bonds to their respective offices.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract for the sale of the Bonds if the Authority fails to execute the Bonds and tender the same for delivery within 30 days from the sale date, and in such event the Purchaser will not be entitled to any damages or other compensation.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses of printing CUSIP numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid by the successful bidder. The Municipal Advisor shall be responsible for obtaining the CUSIP numbers and providing them to the Authority and the successful bidder.

Expenses of the Successful Bidder. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), The Depository Trust Company charges and all other expenses of the successful bidder will be the responsibility of the successful bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within 60 days from the sale date, the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon written request to the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the Authority deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds.

By submitting a bid for the Bonds, the Purchaser of the Bonds agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the sale and delivery of the Bonds by the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Authority. The name of a Purchaser of the Bonds will not appear on the cover of the final Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the Authority, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, the Insurance Policy or the provider thereof, or any instrument related to the 2025 Reserve Policy or the provider thereof, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the Authority or the District that would make it unreasonable for such Purchaser of the Bonds to rely upon the final Official Statement in connection with the resale of the Bonds, and (iii) the Authority authorizes the

Purchaser of the Bonds to distribute copies of the final Official Statement in connection with the resale of the Bonds.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser of the Bonds will be required to execute and deliver to the Authority, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the Authority the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the Authority of the need to modify or supplement the final Official Statement.

(iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the Authority will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

The Authority believes it is in compliance in all material respects with its prior continuing disclosure undertaking. See the Preliminary Official Statement – “CONTINUING DISCLOSURE.”

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the Municipal Advisor.

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any resale of the Bonds to persons outside the United States.

Dated: February 6, 2025.

**EXHIBIT A TO OFFICIAL BID FORM**
**FORM OF REOFFERING PRICE CERTIFICATE***

TO BE DELIVERED IF COMPETITIVE SALE REQUIREMENTS ARE MET (I.E., 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)

**$____________**
**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY**
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**
**2025 SPECIAL TAX PARITY BONDS**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [**NAME OF UNDERWRITER**] (**"**[**SHORT NAME OF UNDERWRITER**]**"**), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [**SHORT NAME OF UNDERWRITER**] are the prices listed in Schedule 1 (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [**SHORT NAME OF UNDERWRITER**] in formulating its bid to purchase the Bonds. Attached as Schedule 1 is a true and correct copy of the bid provided by [**SHORT NAME OF UNDERWRITER**] to purchase the Bonds.

(b) [**SHORT NAME OF UNDERWRITER**] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [**SHORT NAME OF UNDERWRITER**] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [**DATE**].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [**SHORT NAME OF UNDERWRITER**]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificate as to Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [**ISSUE DATE**]

[**UNDERWRITER**]

By: ___________________________________
Name and Title

## SCHEDULE 1

## EXPECTED OFFERING PRICES

| Maturity Dates (September 1)* | Principal Amount* | Interest Rate† | Offering Price or Yield† |
|---|---|---|---|

* Subject to adjustment in accordance with the Official Notice of Sale.
† To be completed by Purchaser.